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FINAL REPORT
ON
SUGGESTED EVALUATION GUIDELINES FOR NON-PROJECT ASSISTANCE ACTIVITIES FINANCED BY THE AGENCY FOR INTERNATIONAL DEVELOPMENT

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INTRODUCTION

The scope of work for this report on developing guidelines for the evaluation of commodity import programs (CIP) and "CIP-like" programs is summarized by AID as follows:

"In summary terms, the contractor shall perform the following:

"1. Describe and analyze the major characteristics of CIP programs and CIP-like programs [for example, an agricultural development (sector) loan to provide for commodity imports established with either ESF or DA funding]";

"2. Review documentation to be provided by PPC/CDIE on AID's completed CIP and CIP-like evaluations, and cite and explain the major shortcomings as well as the major strengths of completed evaluations, tying such observations into the major characteristics of the programs noted above in (1);

"3. Review selected IMF and IBRD evaluations of sector development and structural adjustment loans (documentation not provided by AID) and describe and explain their methodological relevance, if any, to AID's evaluation of CIP and CIP-like programs; and

"4. Outline at least two scopes of work for future CIP and CIP-like program impact evaluations, setting forth all of the major characteristics of such evaluations, including both matters of substance and process."

Commodity import programs, through which the United States finances the foreign exchange costs of procuring and shipping a vast variety of commodities for use in the factories, farms and homes of developing nations, have been an integral and major part of American foreign assistance efforts for over 30 years.

Funded as grants under the authority of the Mutual Security Act of 1954, CIP and "CIP-like" activities were largely financed by loans in the 1960s authorized by the Foreign Assistance Act of 1961; grants and loans were both authorized as Security Supporting Assistance under the Foreign Assistance Act of 1971. The Economic Support Fund, Part II, Chapter 4 of the FAACT of 1961, is the current source for most such loans and grants.

Common to all these programs, regardless of the provisions of the various acts, was the requirement to fulfill the need for rapid infusion of foreign exchange or commodities into a nation's economy. The objectives were varied: to reduce perilously high balance of payments deficits, provide a measure of economic or political stability, generate local currency for developmental needs, provide the resources to meet reconstruction efforts resulting from natural calamities such as earthquakes, or meet the U.S. national interests by providing economic support based on "special economic, political or security conditions." Obligations and expenditures for CIP and "CIP-like" programs (programs emphasizing a specific sector) have comprised about 40% of the total obligations and expenditures for U.S. economic assistance since World War II. Such programs have reached almost all of the less developed countries assisted by AID and its predecessor agencies. Yet, despite their size and importance in the AID scheme of assistance, AID had not formally evaluated a CIP until 1984. This situation is in direct contrast to the continuing evaluation of project assistance under the guidelines and directions in AID's Handbook No. 3.

Not surprisingly, the General Accounting Office took note of that fact when it issued its 1984 report on the overall management of AID's CIP efforts.[1] It urged AID management "to develop and formalize evaluation procedures for CIP assistance in compliance with the Foreign Assistance Act and AID directives."[2]

GAO also commented that any prior attempts at assessing CIPs had been limited to brief descriptions of the past year's CIP performance. Even those, GAO said, were "cursory and, in some cases, unsubstantiated or based on incomplete and inaccurate information."[3]

Despite the absence of formal guidelines, AID did conduct CIP evaluations in 1984 in Zimbabwe,[4] Somalia,[5] and Egypt.[6] The resulting reports have provided valuable insights and lessons for AID as well as the authors of this report. As part of this effort the U.S. Bureau of the Census detailed to AID two of its specialists in the Evaluative Studies Branch of its International Statistical Program Center. They served both as members of evaluation teams and as rapporteurs and observers of the methodology used in the Somalia and Egypt CIP evaluations.[7] AID also provided us with a 1970 report by PPC on the use of program loans to influence policy[8] and a 1982 memorandum by the former director of USAID/Egypt, Donald Brown, on the use of CIP as a development tool.[9] Both are helpful and recommended as background reading.

At AID's suggestion the team studied the P.L. 480 evaluation report for Jamaica[10] and interviewed the author of the appendix on Methodology. He provided ideas on the use of economic models and data for evaluating the impact of PL 480 programs, which, while not encompassed in this report, are of sufficient similarity to provide useful parallels.

The World Bank has a large Operations Evaluation Department (OED) which combines both audit and program evaluation services.[11] OED reviews Project Performance Completion Reports (PPCR), conducts audits of some of the projects and does impact evaluations five years after the last disbursement for a small number of selected projects. The team reviewed the reports and guidelines made available by the Bank for their relevance to this study (see Annex C).

If one thing is obvious, it is that there is no agreed-upon methodology for evaluating non-project assistance. Some authors advocate evaluating impact without reference to stated objectives of the program; others feel that evaluations should be guided by strict adherence to the objectives as delineated in various program documentation. Some have felt that a lack of sufficient valid economic data in LDC's prohibits meaningful macroeconomic studies and that the emphasis should be at the micro level. There is also the question of evaluating local currency generations. AID itself seems somewhat undecided on how that by-product of CIP should be approached.

There are two major aspects to any evaluation -- one dealing with the administrative and logistical considerations, such as team composition, numbers, methods of interviews, development of questionnaires, and similar matters; the other is concerned with the theory and substance of the evaluation: what is to be evaluated and what kind of economic or other models might be best utilized in the process. This report concentrates on both areas.

The annexes contain model scopes of work which incorporate many of the lessons learned from other evaluation efforts, a brief review of World Bank evaluation documents and a listing of reference materials. To the authors of the material used, the team extends its thanks for their analysis and insights.

FOOTNOTES

1. U.S. General Accounting Office. "A.I.D. Needs to Strengthen Management of Commodity Import Programs." GAO/NSIAD - 84-87: February 29, 1984.

2. Ibid., p. 43

3. Ibid., p. 42

4. U.S. Agency for International Development. "An Evaluation of the Zimbabwe Commodity Import Program" by Lieberson, J. and Hawkins, A., A.I.D., Washington: March 1984

5. U.S. Agency for International Development. "An Evaluation of the Somalia Commodity Import Program, 649-K-602" by Lewis, T., Hagen, P., and Ricardo, J., USAID/Mogadishu: April, 1984.

6. Due to be issued in November 1984. One of the authors of this report was team leader for that evaluation.

7. U.S. Bureau of the Census. "The Evaluation of the Commodity Import Program in Egypt; Report on Evaluation Methodology and Recommendations," by Hartz, M.J., Intl. Stat. Program Center, BUCEN; Washington: June 1984.
   --"Overview of the Evaluation of the Somalia CIP-I (PAAD 649-0118)," by Ricardo, J., Intl. Stat. Program Center, BUCEN: Washington; August 9, 1984.

8. U.S. Agency for International Development. "An Approach to Evaluating 'Non-Project' Assistance," by Morss, V.A. and Morss, E.R., A.I.D./PPC/E, Washington: June 1984.

9. U.S. Agency for International Development. Memorandum, "Commodity Import Programs as a Development Tool," by Brown, Donald S. to A/A.I.D./Washington : October 19, 1982.

10. U.S. Agency for International Development. A.I.D. Project Impact Evaluation Report No. 51, "Jamaica: The Impact and Effectiveness of the P.L. 480 Title I Program." A.I.D. Washington: February 1984.

11. World Bank. "The Project Cycle", by Baum, Warren C., World Bank, Washington: 1982

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CHAPTER I. DESCRIPTIONS AND DEFINITIONS

This section provides an appropriate reference for understanding the major characteristics of CIP and "CIP-like" assistance administered by AID as well as the differences among the various methods of overseeing such programs, be it through auditing, monitoring, accounting, inspecting or evaluating.

A. "Non-project" versus "Project" Assistance

Both CIP and "CIP-like" assistance fall under the rubric of non-project assistance. Non-project assistance, sometimes called program assistance, is accomplished by the transfer of resources, either in the form of foreign exchange or commodities, to provide economic development and/or political stability as a means of relieving budgetary or balance of payments constraints on the host country's economy. Project assistance is based on a single activity designed to generate specific results. For example, a project could be designed to upgrade teacher skills at the primary level in the rural areas of a country. A project is AID's basic unit of management.

Commodities, as used in this report, encompass the vast array of raw materials and manufactured goods normally utilized by the business and industrial sectors in a country. Less often does it include foodstuffs in the nature of grains, cereals, milk, etc., which are the major components of P.L. 480 programs, also administered by AID. The programs may well complement each other in any given country but will have different goals and objectives. Typically, CIP is for the producers and manufacturers of finished goods; P.L. 480 imports are for consumers of foodstuffs.

B. Commodity Import Programs (CIP)

An important characteristic of a CIP is its potential to provide rapid and voluminous infusions of capital or goods into a country's economy, particularly in contrast to USAID projects involving long-term technical assistance or training with a small commodity input. Within limits, the rate of infusion can be controlled to meet shifting economic or political circumstances. It may even be halted at any time without running the risk of leaving half-finished buildings such as teacher training institutes or a series of clinics. It may be utilized by private as well as parastatal economies, and may be financed through a grant or a loan. It is one of AID's most flexible assistance tools.

How it Works: Theory

The theory of CIP is simplicity itself: AID assures a host country that it will pay the foreign exchange costs of procuring and shipping certain eligible commodities (normally of U.S. source and origin) mutually agreed on by AID and that government. If financing is through a loan, the government agrees to pay AID either the dollars or the local currency equivalent of the dollars over a given period of time (usually 30 to 40 years) at favorable rates of interest. If it is a grant, the local currency equivalent of the value of the commodities is deposited in a special account to be utilized for agreed-upon developmental purposes within the country plus certain AID administrative obligations. The size and composition of the CIP is fixed each year after consultations with host country officials; these figures then provide the basis for AID's requests to the Congress for funds for its various activities. After that, usual commercial practices take over, goods are procured and shipped, and AID pays the foreign exchange costs through the international banking system.

How It Works: Practice*

In practice theory gives way to a complicated series of steps involving documentation and approvals by government officials and the requirements of international financing transactions. AID will often find itself in the role of a banker, making direct payments to U.S. suppliers, as well as the guarantor of such payment to U.S. banks which advance funds to suppliers upon presentation of required documents.

After the Congressional appropriation process is completed and AID/W authorization to proceed has been secured, USAID prepares a grant paper which describes the proposed CIP and justifies it in political and economic terms.

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* The team is indebted to Daniel Pfoutz's description of the process in the Egypt CIP evaluation report. Pfoutz, a former AID employee, is a consultant to Development Associates, Inc.

Although referred to as the Program Assistance Authorization Document (PAAD), the PAAD is in fact a form which constitutes the first page of the grant paper. The PAAD is submitted to AID/W for approval by the Administrator of AID. The grant paper includes a broad description of commodities to be financed and also cites a series of conditions to be met before disbursement (conditions precedent), along with a number of covenants, including, if appropriate, those pertaining to local currency deposits. During the grant paper's preparation, a host government draws up a list by ministry or by other category for the dollar amounts it proposes to allocate to any government agencies for their use. If the program is primarily for the private sector, the allocation to individual firms will be through the banking system and import licenses.

The conditions precedent and covenants approved in the PAAD and other terms and conditions of the grant are also set forth in the grant agreement prepared by USAID. The grant agreement is signed by the ambassador and mission director for the United States and appropriate officials on behalf of the host government. Implementation Letter No. 1 is issued by USAID which names personnel in addition to the AID director who may represent the AID mission in carrying out the CIP activity. Implementation Letter No. 2 sets forth for the grantee detailed instructions and letters of understanding on how the agreement is to be carried out. That letter also includes the Commodity Procurement Instruction (CPI) document which lists the commodities which are eligible for financing under the agreement.

After the conditions precedent have been met, the government usually prepares a more detailed listing of commodities for any parastatal firms or government agencies and arranges a series of meetings between USAID and the importers to discuss their proposed procurement.

Since many of the end users will procure the same raw materials or equipment as they had in the past, the discussion between USAID and the importers may only be confirmation that they propose to utilize the same Invitation for Bid (IFB) used the previous year. In such a case USAID can simply advise the AID/W Office of Commodity Management and the IFB can be issued. When the proposed procurement is a commodity not previously procured, the end user may propose detailed specifications or may request that AID develop them. If new specifications are to be developed, the work in some cases may be done by USAID or the Office of Commodity Management in AID/Washington. After that step the availability of the IFB will be announced by AID and issued to prospective bidders by the host government embassy in Washington. Suppliers submit their bids to the end user in the host country. The IFB specifies the date, time and place for the bid opening. Bidders' representatives, the end user, and an observer from USAID participate in the bid opening.

The importer analyzes the bids for responsiveness to the IFB and selects the successful bidder, i.e., that responsive and responsible bidder whose price is lowest for the equipment requested. The end-user informs USAID of the proposed award and if there are no problems, the buyer is provided with a "no objection letter."

If the transaction is solely in the private sector, IFB's are not required. Importers may use regular commercial practices, including negotiated procurement. While the negotiations or IFB process are taking place, USAID prepares appropriate Financing Requests (FR) which are signed by USAID and the government and forwarded to AID/W. On the basis of the FRs, AID/W issues Letters of Commitment (L/Com) to a U.S. bank against which the importers may open Letters of Credit (L/C) through a correspondent bank in the host country. FRs are normally processed thirty (30) days after USAID receives the necessary information identifying recipient banks and dollar amounts. Alternatively, if the procurement involves a large dollar amount from a single supplier, the preparation of the FR may be delayed until after the bids have been opened and an award made. The FR is then processed for a direct Letter of Commitment from AID/W to the successful bidder. Copies of L/Coms issued are provided to the appropriate ministry or end user.

After the supplier has been notified of an award it must post a performance guarantee. When that is done, the importer requests the issuance of a dollar-denominated L/C to the supplier against the bank L/Com previously issued.

The supplier ships the commodities and, upon presentation by the supplier of the bill of lading and other documents required by AID Regulation One to its bank in the case of the L/C, or to AID/W in the case of a direct L/Com, the purchase price is normally paid in full.

Participating banks administering CIP funds may include public and private sector commercial banks. It is the responsibility of the participating banks to ensure importer compliance with the provisions of local rules. The banks determine the eligibility of the importers, commodities, and the transactions' priority in the bank's overall operations. Bank fees are normally paid from CIP funds. CIP terms require that equipment procured be of U.S. source and origin and that the requirements of the U.S. "50/50" shipping law be met.

The participating U.S. bank sends copies of the commercial documents (the bill of lading, invoice, packing list, and/or other documents provided for in the L/C) to the local bank involved. If the importer meets its local currency obligations to the local bank, the documents are released. This enables the importer to clear the goods through customs and take possession. In the case of a direct L/Com, the supplier is responsible for forwarding the necessary documents to the importer.

Under AID regulations, the importer is expected to clear the goods "promptly," i.e., within 90 calendar days or such other time period as may be agreed upon. Thus, the transaction is completed.

Abbreviations Used in the CIP Process

PAAD Program Assistance Approval Document: Form describing and justifying proposed CIP level and content; instrument by which administrator approves a non-project assistance activity and authorizes obligation of funds for implementation.

GRNTAGMT Grant Agreement: Document signed by both governments outlining conditions and terms of the grant.

ELIGDATE Eligibility Date: Date after which funds may be disbursed if conditions precedent are met.

APPRCUR Approval of Procurement: Contained in the eligibility list of commodities.

IMPLETTR	Implementation Letters: Formal communication from AID to recipient government with instructions, guidance, and procurement procedures.
CPI	Commodity Procurement Instruction: Lists commodities eligible for financing; included in Implementation Letter No. 1.
NEEDIDEN	Need Identification: Importing entities identify needs for specific commodities.
IFB	Invitation for Bids: Formal procurement request for commodities in the public sector.
BIDOPEN	Bid Opening: Bids opened and evaluated.
SEL&AWRD	Selection and Award: Supplier selected and awarded contract.
NOOBJLTR	No Objection Letter: AID approves importer's choice of supplier.
FR	Financing Request: Document requesting authorization to initiate detailed financing arrangements for procurement of commodities.
BNKL/COM	Bank Letter of Commitment: Letter from AID to bank guaranteeing funds for procurement.
L/CREDIT	Letter of Credit: Letter from bank to supplier authorizing funds for procurement.
DIRL/COM	Direct Letter of Commitment: Letter from AID to supplier guaranteeing funds for procurement.
SHIPDATE	Shipping Date: Date commodities shipped from U.S.
VESSARRV	Vessel Arrival: Date vessel arrives at port of destination.
OFFLOAD	Offload: Commodity taken off vessel.
RELDATE	Release Date: Date commodity is released from customs.
DELIVERY	Delivery: Date commodity is received by importer.

C. "CIP-Like" Programs

In contrast to regular commodity import programs, "CIP-like" activities are usually targeted on a specific sector such as agriculture, the iron and steel industry, energy or education. Typically, they are based on a single commodity or package of related commodities. Such activities will be of limited duration and their objectives and goals expressed in more precise quantitative terms than those for CIPs. There may be a target for the growth or development of a sector in measurable outputs, or a goal for supplying given quantities of inputs for a specified period (x tons of fertilizer imported and distributed over a three-year period). They will frequently be tied closely to a policy dialogue between the U.S. and host country and may often be conditioned or tranched on the achievement of policy goals such as import liberalization, credit tightening or monetary or pricing changes. Because of the narrower focus, there is a more explicit developmental thrust to "CIP-like" programs than to CIPs. They are often found in countries where a CIP exists and may be funded on a loan or grant basis. The procuring and shipping of the commodities under CIP-like activities follow the same rules and regulations as regular CIPs and have the same AID/W backstopping.

A sampling of such activities (often titled "projects" even though they are classified as "non-project assistance") taken from AID's FY 1975 Congressional Presentation illustrates the variety of such programs:

Zaire: An Economic Support Fund grant "to enhance the productivity and output of Zaire's agricultural sector by increasing the supply of U.S. origin agro-inputs to private enterprises." There will be local currency generations to be used to support AID-supported development activities in Zaire.

Pakistan: Energy commodities and equipment project: "Direct balance of payments support for the procurement of mining and power generation and distribution equipment from the U.S. It will also provide the framework for a policy dialogue with the GOP on energy generation and pricing issues." Note: See Annex B for scope of work based on this proposed program.

Egypt: Private sector production credit project: A private sector CIP, but because the Government of Egypt prefers to limit the CIP designation to the public sector program this "CIP-like" project is managed by a separate office in USAID but backstopped by the CIP office in Washington (SER/COM).

Costa Rica: A health supplies management project to streamline the drug and medical supplies purchasing system and to supply foreign exchange for imported medicines and medical commodities for the social security hospitals. The project is tied to the ongoing dialogue to increase the efficiency of health sector delivery systems.

D. Cash Transfers

Fitting neither the definition of a CIP nor of a "CIP-like" activity, cash transfers nevertheless account for an increasing proportion of AID's assistance. Funded from ESF, such transfers range in size from the $785 million cash grant planned for Israel in FY 1985 and $175 million for Turkey to $45 million for Honduras. Justified in almost every case as short-term balance of payments support, cash transfers are conditioned on the recipient's importing goods and equipment from the United States, at least up to the amount of the grant. In Turkey, however, a large portion of the grant is for debt servicing. In addition, some transfers involve local currency generations to be used for specific development projects. Almost all are tied to policy dialogues and often the achievement of fiscal or monetary policies, in some instances endorsed or developed by the International Monetary Fund (IMF). Cash transfers subsume the ability of the recipient country to import needed commodities through its own commercial or governmental channels and thus not to require USAID or AID/W support or staffing.

Cash transfers may also be utilized to meet emergency needs such as those resulting from crises or disasters, whether economic, natural or political.

No methodology for evaluating cash transfers is included in this report.

E. Local Currency Special Accounts

In accordance with Section 609 of the Foreign Assistance Act, countries receiving commodities on a grant basis under arrangements which will result in the accrual of proceeds to the country from the sale of those commodities must establish a special account. Local currency proceeds from the sale of the commodities are to be deposited into the special account. Certain amounts are to be made available to the U.S. Government for its requirements and the balance used for development programs agreed to by the USAID.

In practice the local currency agreement is incorporated into the grant or loan agreement. The agreements generally carry a requirement for the adoption of an appropriate accounting system to track both the generation and disbursement of the funds. Deposits are usually made on a quarterly basis by the recipient government. Commonly, both governments agree annually on the percentage of the funds to be used for "U.S. uses" (administrative and similar costs in-country) and the particulars of programs or projects to be funded with the remainder. A long-standing issue for AID is the extent to which its missions are to monitor, audit or evaluate such local currency uses. In some countries the amounts are growing geometrically, and missions face staffing problems if they must monitor such uses as closely as they do dollar-funded projects. Some recipient countries attempt to restrain the use of such funds to decrease their inflationary effects.

F. Methods for Oversight

AID exercises its oversight responsibilities for its projects and programs in several ways. For the purposes of this report, it is sufficient to delineate the major areas so as to place evaluations in proper perspective.

Monitoring. Once a project or program begins, it is subject to constant monitoring by those responsible for its implementation. This may be through periodic visits by project officers, mission directors, or Washington program personnel. It is evidenced by weekly or monthly progress reports issued by contractors or host country representatives, and in direct reports by project officers to the mission director and then to AID/W. Monitoring is to insure progress meets pre-determined target dates, that funds are made available as needed, and that required technicians and other personnel are on board. A monitoring system should provide benchmarks or warning signals for project officers to determine when events slip or timetables are not being met. This allows for corrective action at the appropriate levels. It is an ongoing effort which terminates only when the project is finally completed or terminated.

Accounting. Accounting parallels monitoring and is done in the mission or in Washington. It can take the form of simple bookeeping or sophisticated computer and ADP tracking of thousands of vouchers and transactions (such as are common to CIP activities). Obligation and expenditure of funds are thus monitored and reconciled. But accounting will not by itself reflect project progress (except as a function of expenditures and obligations), nor will it generally provide warning signals of potential trouble, except, again, in terms of fund availabilities.

Inspections. In AID inspections are the statutory responsibility of the Office of the Inspector General, itself a Congressionally created position. The reach of the office is long: ". . . the Inspector General of the Agency for International Development . . . shall supervise, direct, and control all audit, investigative, and security activities relating to programs and operations within [AID]." The Inspector General Act of 1978 grants to all inspectors general of the government wide authority in which to exercise their responsibilities. Within that authority AID's Inspector General may audit, inspect, assess or even evaluate agency activities. Inspections are performed at any time during the life, or after, of a project or program. But inspections can also extend to non-program activities, such as the operations or management of a particular office, bureau or discrete activity.

Auditing. Auditing implies checking, and, in a narrow sense, checking on financial transactions. Both in the private sector and in government the concept has been expanded to include assessment, evaluation, and inspection, with the subject matter encompassing not only financial records, but adherence to regulations, rules, laws and agreements. It is significant that in AID the Office of the Inspector General audits and inspects every facet of AID's activities and the least of that work is the actual checking of figures. Indeed, the reports emanating from that office often include the words "assessment" or "evaluation" in the titles. Auditing can occur during the life of a project or at the end; CIP transactions are post-audited in Washington and "end-use" audits are performed at the mission in which transactions are inspected to determine whether commodities have been expeditiously and properly utilized. The General Accounting Office also conducts audits of AID activities, often at Congressional direction.

Evaluation. Section 125 of the Foreign Assistance Act of 1961 directs the Administrator of AID "to improve the assessment and evaluation of the programs and projects carried out by that agency . . . ." Section 621A, "Strengthened Management Practices," requires AID to establish a management system that includes "the definition of objectives and programs" for U.S. assistance, the development of quantitative indicators of progress toward these objectives "and the adoption of methods for comparing actual results of programs and projects with those anticipated when they were undertaken." Further, "The system should provide information to the agency and to the Congress that relates agency resources, expenditures, and budget projections to such objectives and results in order to assist in the evaluation of program performance, the review of budgetary requests, and the setting of program priorities." Pursuant to those directives, AID established a thoroughgoing project evaluation process, guidelines for which are found in Chapter 12 of Handbook 3 and in "Design & Evaluation of Aid-Assisted Projects," a 1980 publication of the training and development divisions of AID.

Impact evaluations began in AID in the late 1970s. Prior to that time the focus was more on corrective actions ("mid-course corrections") and lessons to be learned.

Evaluations may be accomplished by using only AID personnel, by employing contractors or consultants, by mixing the two, and by including host country personnel in any of the combinations. Project designers must now include funds and schedules for evaluations in the project documents.

In the next chapter the purposes of CIP evaluations are described.

CHAPTER II. WHY EVALUATE CIP?

With the monitoring, accounting, auditing and inspecting that attends CIP and CIP-like activities, one may well ask why an essentially balance of payments support program should be subjected to the AID evaluation process. It cannot be assumed that AID overlooked its massive CIP grants and loans as it developed the project evaluation system now in use. Some within AID have questioned the need for CIP evaluations. They point out that the purpose of a CIP is to provide a recipient country with the foreign exchange necessary to provide needed imports for its economy. The test, it is argued, is how fast and how efficiently moneys are disbursed and imports are put into production or consumption channels. These can be measured through the use of arrival accounting systems. If the comodities are those that the country needs and are on the AID eligibility list, what else could be examined that current audit procedures do not cover? This view is most prevalent in the group responsible for managing these complex programs; it is an input measurement system. And there is some merit in that approach, if one accepts the premise that balance of payments support is CIP's only goal.

But through the years additional purposes have been grafted onto CIP: support of policy dialogues, including IMF and World Bank initiatives; generation and use of local currency proceeds; adding complementarity to the USAID project efforts; and pursuit of independent development goals. Program officers and economists have been concerned that simply measuring volume and flow of goods and the level of foreign exchange savings does not properly reflect even the balance of payments impact, and least of all other economic impacts such as employment generation, sector productivity or additions to the GDP. Others have questioned how effective CIP has been in suporting policy dialogues, both economic and political. Does the U.S. become hostage to its large and continuing commodity programs, thus lessening their effectiveness as negotiating tools? At what point would the U.S. slow down, reduce or halt a CIP program in a country "vital to the U.S. national interests"? If CIP is also to augment a USAID development program, does not present AID evaluation policy require an evaluation of that facet of a CIP?

A. Purposes of a CIP Evaluation

Theoretical considerations aside, AID has accepted the GAO's recommendation that its CIP activities should be evaluated. That requires an analysis of the purposes of such evaluations.

The scopes of work for the recent evaluations of three CIPs emphasize four areas of concern: how well has the program been managed, to what degree has it met its documented goals and objectives, what has been its impact within the recipient country (which may involve unintended goals and objectives), and, importantly, what lessons are to be learned?

1. Management

Evaluating the management of CIP is to determine how efficiently commodities and foreign exchange move; how effective are the relations of the CIP staff with the government and with the bank and importer community; how the mission and recipient country meet their responsibilities for the local currency special account; how the arrival accounting system is operated and utilized (including an analysis of any automated data processing system); to what extent are end-use audits made and applied; and how the mission integrates the development goals of a CIP with its own project activities.

On the other hand, review of voucher files and examination of individual transactions to determine whether Regulation One rules have been met are areas best left to auditors and inspectors, whose tasks are well delineated in the SER/COM "Audit Analysis Guidebook."

2. Objectives

As CIP agreements become more detailed in documenting the various purposes and goals of a CIP, the evaluators' task become more complex. Support of policy dialogue may establish a multitude of goals to be achieved using the CIP as a major lever. One purpose of evaluating CIP from an objectives standpoint is to determine whether the program is being overburdened with goals and purposes, to some of which CIP may only tangentially relate. Has it become a catchall for the mission's non-project goals?

Objectives and goals are often set out in Congressional Presentations (CP), Country Development Strategy Statements (CDSS) and Program Assistance Authorization Documents (PAAD) in addition to the CIP agreements. Evaluators should analyze these documents to insure that there is a consistency of approach, as they may be used by Congress, GAO and the Inspector General as standards against which to measure the effectiveness of a CIP.

3. Impact

Impact and objectives cannot be entirely disaggregated in the evaluation process. Many objectives may be expressed as impacts: "To increase production in the textile sector by 20% per annum" or "reduce urban unemployment by 30% over two years." Similarly, economists and programmers are not averse to formulating impact questions on a post facto basis for inclusion in a scope of work for evaluators to answer: "What has been the effect of the CIP on regional development?" "On the wage structure in the iron and steel sector?" "On Gross Domestic Product?" "On the transportation of goods?"

Seldom does an AID project have the widespread impact of a CIP, which can affect economic, developmental, social and even political areas. Isolating and assessing its impact on these areas could be the most important aspect of a CIP evaluation. Many impacts may have been unintended by the initial designers and authorizers of a CIP, especially one implemented rapidly to meet short-term needs but which has evolved into a long-term process.

In Chapter VI, the report recommends specific aspects of the impact areas to be covered in a typical scope of work.

4. Lessons to be Learned

Evaluation is not a sterile or academic exercise; its ultimate purpose is to provide guidelines and recommendations to AID so that programmers and managers can adjust ongoing activities and put the lessons to work when designing and implementing new activities. This is a purpose not to be lost sight of by either the drafters of scopes of work or the evaluators. There is a strong allure to delving deeply into the intricacies of economic and social analysis that may be of interest to a limited audience. But it may put off those who might benefit most from clearly expressed practical recommendations.

B. Purpose of a "CIP-Like" Evaluation

One major difference between the purposes of evaluating CIP and "CIP-like" activities is the greater emphasis on management in the former. Management of CIP activities, because of their size and generally longer life, is often a far more complex job. CIP as a rule has an elaborate arrival accounting system, often as part of an ADP program; its managers deal with scores of different commodities, and they must relate to several institutions ranging from the government to banks and private importers. A sector program, on the other hand, may only involve a single commodity, imported through one importer or government ministry, rely on a simple arrival accounting system and receive its necessary backstopping from SER/COM in AID/Washington. A large CIP may have up to ten staff members. A sector activity may require only one project officer in a technical division to monitor imports.

But evaluating the achievement of objectives and the various impacts of a grant or loan on its particular sector is of similar importance in both activities. Certainly, "lessons to be learned" are of equal value. There will be differences in techniques and in methodology, but those result from the nature of the activities, not from the purposes of the evaluations.

CHAPTER III. THE SCOPE OF WORK

The design of a successful evaluation effort begins with a well considered scope of work. The team will refer to it often to check its own progress and it will be used as a standard against which to judge the final product. If its terms and timing are unrealistic the team will be faced with making ad hoc decisions on what to leave out of the process and the report. Time will not permit every possible objective of a given program, stated or not, to be evaluated. There must be a careful selection of the most important issues and a ranking of those in order of priority. There should then be an indication of the level of precision required in addressing them. The following suggests areas to be covered in a scope of work, garnered in large part from the experience of the teams in Egypt, Somalia and Zimbabwe.

A. Inputs

Whatever the office in AID assuming the responsibility for designing the evaluation, it is important that all relevant substantive offices be given ample opportunity to contribute. This will include the geographic bureau and desk, SER/COM, PPC and evaluation specialists in Washington, and the program staff, CIP managers, the administrative office and controller's office in the USAID. The administrative office should make clear what logistical support will or will not be made available (office, transportation, word processing), and the controller's office will indicate availability and access to ADP systems for the team.

A paragraph describing the history of the program and problems encountered or foreseen is helpful, as is a brief sketch of the political and economic climate in the recipient country.

Evaluators should be given an opportunity to comment and suggest amendments to the scope of work before they depart Washington.

B. The Issues

Defining the issues with precision is like drawing a good map for the evaluators. It helps plot the course and defines the limits of the journey. All parties to the evaluation should know the limits beforehand so that unreasonable expectations are not created. Evaluators should know for whom they are writing -- primarily economists or managers? Will the host government receive copies? Does the U.S. Embassy have more than a passing interest? Should there be a restricted appendix in which matters of political impact will be discussed?

Once having defined the issues, they should be divided into those that are qualitative and those which require quantitative answers. If too much emphasis is placed on quantitative requirements, the data available may not be sufficient. On the other hand, emphasizing only qualitative issues could lead to charges of intellectual laziness, of writing in "impressionistic" terms.

In either case appropriate indicators are necessary. If evaluating the impact on policy dialogue, the number of such conversations during a year may be a measure. More impressive would be an enumeration of policy changes resulting from the discussions. The complexity and scope of economic indicators should not exceed the limits of available data which may often be incomplete or out of date. A sense of proportion should be maintained.

Each list of issues should then be ranked in order of agreed importance, indicating those which must be addressed versus those which could be addressed if time permits. "Time" is the key -- there should be a realistic assessment of what can be done within the allotted period.

C. Time

The scope of work should precisely state the time allowed for the team briefings and preparations in Washington, the number of weeks in the field, and for writing the final report. An ample period in Washington for briefings by AID and outside agencies would be five days, including logistical preparations. Field time should be three weeks at a minimum, with up to five or six weeks not to be considered unusual. The relatively small additional cost of salaries and per diem for those evaluating a multi-million dollar program should be considered. The impact of data collection on field work must be measured -- it can consume more time than any other facet of the process. The mission should be consulted for the effect of any local holidays and logistical problems that could impinge on the team's time. Even local work hours and traffic problems can make the interview process annoyingly time consuming.

D. Data Collection

Data collection involves collecting statistical data, scheduling and conducting interviews. The data must then be assembled into tables suitable for analysis.

The scope of work should indicate the sources of data and the extent to which the evaluators are expected to use quantitative data. It should make clear who has the responsibility for such work and when it is to be done. In a well-intentioned effort to meet this problem, the data collection effort for the Egypt evaluation was contracted to a separate group which was scheduled to complete the process even before the evaluation team was assembled and put under contract. It did not succeed, primarily because the data collectors and the evaluators had no opportunity to coordinate their efforts. The data team was not certain as to what the evaluators would want, and the scope of work for the evaluators assumed the success of the collection effort.

Based on the Egypt experience, it is recommended that in-country data collection be made part of the evaluation team's responsibility. Provision may be made for advance work by one or more members of the team assisted, if necessary, by locally employed personnel. Sufficient time must be allowed to permit data collection to be accomplished properly. Moreover, mission guidance will be important on this point.

E. Team Composition

The scope of work is the appropriate place in which to detail the size and makeup of the team. (In its scope of work for this report, AID has limited such team to three members, which should be sufficient.) It is recommended that one member be an economist, one have CIP or similar experience, and one have had prior intensive evaluation experience. Given the requirements for economic analysis at the macro and micro levels, an experienced economist is a crucial member of the team. An AID generalist background would be acceptable for either of the other two positions, particularly if there is relevant country or regional experience. The contributions of the Bureau of the Census employees are significant. Detailed from the Bureau's Evaluative Studies Program, they have participated in project evaluations and in the Egypt and Somalia/CIP evaluations. They contributed valuable insights into the methodology used and made suggestions for future such evaluations. Thus, both their reports have been helpful to this present effort. If possible, the Census person could be counted as a supernumerary, so as not to exceed the three member team limit. If there is a large ADP system in the USAID, a concurrent evaluation of that system may be carried out by a short-term specialist.

All regular members of the team should be recruited for the full period of the evaluation and report writing. For "CIP-like" evaluations, two persons might suffice, one economist and one sector or commodity specialist (with one having had evaluation experience). Much depends on the size of the activity and the extent of the evaluation. An economist may be less crucial here than an experienced sector or commodity specialist, perhaps working with an AID generalist.

If an evaluation is to be accomplished entirely by direct hire, care should be taken that those selected are available full-time and no other duties are assigned. Ideally, this would mean employees from AID/W or other missions. But using a team entirely composed of employees may be perceived by some as not bringing to the process the objectivity that might be better supplied by outside specialists. A mixed team could quell that particular concern, particularly if the outside person were the team leader.

Whatever the composition of the team, there should be a USAID employee governmental, and for assistance in setting up interviews with USAID and on the outside. The selected employee should begin to compile lists of suggested interviews and schedules well before the team's arrival. An experienced local employee could perform these functions.

Thought should be given to including a local expert on the team, both for intrinsic skills and for language capability. For example, this worked well in Egypt, where the GOE required that the team include an Egyptian economist (two were used). Such a person should be from academia or the private sector, but not from government. Businessmen are reluctant at best to discuss business matters with strangers, but even more so if they know that the interviewer is from the government.

Once the scope of work is agreed upon by all relevant offices, it can become part of the contract. When that is signed, preparatory work may then begin.

Two outlines of proposed scopes of work, one for CIP and one for "CIP-like" activities are included in the report as Annexes A and B. These outlines are designed as potential check-lists as well, and will in most cases cover far more ground than any single evaluation would warrant.

CHAPTER IV. PREPARATORY WORK

A. In Washington

Assuming sufficient time has been allowed in the scope of work, the backstop office should set up interviews and briefings in Washington for the team and collect relevant documentation. Within AID the desk should supply the program agreements, PAAD, CDSSs, local currency agreements, and other relevant documents. SER/COM can provide computer printouts showing details of the program in terms of yearly totals, types of commodities, names of suppliers, banks and importers, key dates and similar data. That office can also provide copies of Regulation 1. PPC is the repository of AID evaluation reports and may also schedule interviews with some of the authors of those reports.

In Washington AID can obtain World Book evaluation and country reports for the team's use through the office of the U.S. Executive Director (there is a liaison office in AID). Also, the local embassy may be a good source of country statistics, particularly imports and exports. The U.S. Department of Commerce will have data on U.S. exports to the country concerned. Both IMF and World Bank personnel should be sought out for their views on the economic situation in the country and what requirements, if any, the IMF has in place or is negotiating with the recipient government. The State Department desk should be consulted with respect to the current political situation and the U.S. Embassy's involvement in the policy dialogue.

B. In Country

Preparatory work in the recipient country will consist primarily of data collection, including scheduling interviews. Whatever can be accomplished prior to the entire team's arrival will constitute a valuable saving of time. As noted above, this report recommends that data collection not be left to a separate entity, contractual or otherwise. If necessary, one team member should travel ahead to take charge of the operation. The alternative is to wait until the entire team arrives (except for gathering of published statistics). The USAID can make a valuable contribution by identifying sources of statistics and persons who are able to make the material available.

The team should manage the interview process. To make this an efficient use of team time, the CIP and program offices should be asked in advance to suggest firms or persons to be interviewed. This may be guided by an instruction from the team on the sampling method it wishes to use -- random or stratified. For a large CIP program, a stratified sampling might be more valid. If possible, appointments should be made prior to the team's arrival, including USAID and embassy officers and key government officials. It bears stressing that ample time should be allowed for reaching appointments, for postponements, for time-consuming delays, and for the possibility of going back for follow-ups.

Finally, USAID should advise if a single government entity wants to coordinate interviews, particularly if the program lies largely in the public sector.

C. Conducting Interviews

Even though vital to the evaluation, interviews are part of the preparation for the data analysis and framing recommendations in the report. Person hours in the field must be carefully husbanded, which means that team members usually should not pair up on interviews. If language is a problem it would be best to obtain local assistance. If it is not a problem, including a local person may still be helpful to minimize the "foreign" nature of the evaluation.

1. Questionnaires (see samples at the end of this chapter)

Using a well-designed questionnaire will help focus the interviewer's ideas and save time. If possible, a copy of the questionnaire should be sent to the interviewee in advance. Often the appointment will have been made through a secretary and the person to be interviewed given only a limited idea of what the interview is about. (Sending a questionnaire is suggested for those who are direct participants in the program -- firms, end users, banks and those government agencies or organizations which are direct beneficiaries; it is not suggested for calls on government officials or high ranking U.S. officials.) A questionnaire not sent ahead should not be handed to the interviewee unless asked for. At the time of the interview it should be used as a guide by the interviewer (and as unobtrusively as possible).

Questionnaires should be short and well focussed. Questions should be tailored for various groups: banks, public officials, private firms, etc. Although time will not usually permit, good interview practice dictates that the questionnaires be pre-tested. In lieu of that, interviewers should be flexible and be prepared to change questions and approach based on experience.

The scope of work will be the basis for most of the questions, supplemented by the team's specific interests and methodology. The questionnaire usually should assume some background knowledge of the person being interviewed, i.e., what his firm imports, how much it has imported in the last year or years, what it manufactures. This information should be available from the CIP office and the arrival accounting system. If the interviewer asks many questions eliciting that kind of information, the interviewee may view the exercise as less than serious. On the other hand, specific questions on the effect of CIP imports on production, on employment, profits and market share or exports will indicate the scope and depth of the interview.

The questionnaire should reflect the theory of the evaluation and the hypotheses that are being tested or assumed.

How many interviews? Good sampling techniques may dictate a number far beyond the capacity of the team to carry out. Discretion should be used. A large CIP involving hundreds of importers and thousands of transactions suggests at least 50 well-selected interviews. Smaller programs will require fewer. The aim should be to select firms or agencies representative of the various commodities in terms of their value, kind, how they are shipped (bulk or otherwise), and their ultimate purposes. The views of the team's backstop offices should be obtained on this even prior to departure from Washington. The scope of work might contain reference to the sample size.

2. Training Interviewers

If non-team members are used for conducting interviews (as may happen in a large program where a valid sample may require a score or more of interviews), a training session is a requirement. First, interviewers should be given a clear idea of the content and substance of the program (many persons confuse "commodity import program" with "food import programs"). Second, interviewers should be told the type of information sought (numerical data, impressions, opinions) and what hypothesis is being tested. Third, they must learn to use patience and diplomacy, particularly when talking with businessmen or officials who may regard the activity as an intrusion on their time. Unlike project participants who are in many instances continually and closely involved in the project, participants in CIP and "CIP-like" activities may be occasional users of the program and not feel it necessary to submit to surveys and questions. After the initial interviews, an optimal procedure should evolve that makes each new interview more productive than the last.

3. Recording the Results

In Egypt the team found that recording the answers on the questionnaire at the time of the interview insured greater validity of the end product and provided for better recall of the facts. The task then became one of transferring the answers into a useable format. Because interviews were granted only for the morning hours, the afternoons were available for debriefing the interview teams. These sessions provided an opportunity for trading ideas on revising questions and for initial analysis of results.A Bureau of the Census person had designed the questionnaires and a format in which to record the answers as much as possible in structured quantitative terms. This requires that the questionnaire be designed to capture as much quantitative data as possible; impressions and opinions are difficult to quantify unless reduced to multiple choice responses. This also requires that the questions be limited in range and scope so that the resulting matrix of responses will facilitate analysis by the team.

4. Interviewing the American Sector

Appropriate measures taken well ahead of the team's arrival can facilitate the participation of the American sector in the data collection process. Courtesy calls aside, the team should consult with the ambassador or DCM, the economic counselor or a designated member of his staff, the commercial attache and officials of the American Chamber of Commerce, if one exists.

Interviewers may choose to use questionnaires in order to make the process efficient and to focus the conversations. High on the priority list will be questions concerning the effect of the CIP or CIP-like activity on the policy dialogue. Those dialogue questions should concentrate on what has been accomplished and what part CIP has played. (There might be some reluctance to share details with non-U.S. Government personnel on this topic.)

On the political side, the DCM or ambassador may be willing to share views on the effects of cutting back a program, increasing it or changing its nature. Embassy personnel will have views concerning the visibility of the programs. If the program under evaluation is the focus of some political attention, thought should be given to an annex for limited distribution.

The commercial attache will often have insights on local firms' views about the efficacy and efficiency of the program and will be able to interpret preliminary results in terms of his knowledge of those firms. The American Chamber of Commerce will be a focus for U.S. suppliers' concerns about the program as well as local importers' views.

The economic section of the embassy is a good source for statistics and views on the credibility of local data, particularly from governmental sources. That office is often a liaison with USAID and may reflect the ambassador's thinking on the program being evaluated.

In USAID the first and most important source of information will be the office that manages the CIP or "CIP-like" activity. There should be strong efforts by the team to establish a good working relation with those offices as initial concerns that the evaluation is really an audit or an inspection will have to be overcome. It is incumbent on the team leader to establish this rapport as those offices can provide many helpful shortcuts in terms of information, suggested interviews and interpretation of data.

For statistical data, both CIP and the controller's office are invaluable. In many missions the controller has jurisdiction over the arrival accounting and ADP system; in most he will have cognizance of the local currency generation program. The program office will have access to much in the way of country economic statistics; indeed it may have been the chief designer and contributor to the scope of work for the evaluation. The organization of missions varies so that no pattern exists as to how and where a CIP program is supervised; in some missions the office is an independent entity reporting to the director; in others it may be part of the capital development office and report to the head of that unit. That supervisory officer should also be included in the list of interviews. The mission director and his deputy are valuable sources of information on both the management of the activity and its economic and developmental impact. They can also provide guidance on the program's effect on the policy dialogue from first-hand contact with host government officials (the program officer is usually privy to those facts).

There will be no clear delineation between preparatory work and the evaluation of the data. Delays and schedule changes will result in important interviews occuring during the last phases of analysis and writing.

I. SAMPLE QUESTIONNAIRE
CIP EVALUATION

FOR PRIVATE SECTOR FIRMS

(NOTE: Actual questionnaire should have ample space in which to record answers)

NAME OF FIRM__________ PERSON(S) INTERVIEWED:

LOCATION__________ __________

__________ TITLE: __________

MAJOR PRODUCT OR SERVICE: __________

ESTIMATED DOLLAR VOLUME $__________PER YEAR

YEARS IN CIP:______TYPE OF CIP IMPORTS:__________ $______

__________ $______

1. Is firm an end user_____retailer_____wholesaler_____?

2. If end user:
   What is the end use?
   - Manufacturing_____
   - Converting_____
   - Use in other products (buildings)_____

3. If retailer or wholesaler:
   To whom is product resold?
   - Consumers_____
   - Retailers_____
   - Manufacturers_____
   - Other end users_____

4. To what extent have CIP commodities affected firm's total sales or production?
   - Minimal_____%
   - Somewhat_____%
   - Average_____%
   - Above average (Over)_____%

5. To what extent have CIP imports affected employment?
   - Not at all_____
   - Reduced_____%
   - Small increase_____%
   - Large increase_____%

6. Why has firm continued (if it has) to use CIP imports? (Rank 1,2,3, etc.)
   Quality of U.S. goods______
   Spare parts availability______
   Quality of local representative______
   Speed of delivery______
   Availability of dollars at favorable rates of exchange______
   No other source of goods______

7. Have imports under CIP substituted for imports from other countries?
   Yes______No______. If yes, which countries?______________________________.

8. Have imports under CIP substituted for domestically produced commodities?
   Yes______No______. If yes, which ones?______________________________.
   Dollar value of substitution $______________________________.

9. Has firm experienced difficulties with local bank in borrowing money?
   Yes______No______. If yes, what kind of difficulty?
   Interest rates too high______
   Term too short______
   Firm's credit worthiness questioned______
   Bank not interested______

10. What special complaints does firm have about the CIP process?

   A. With Local Government? Yes______No______. If yes, then:
      Too much paper work______
      Too much official intervening______
      Policy unclear or changes rapidly______
      Favoritism______(Public sector vs. private______)
      (Large firms vs. small______)

   B. With USAID? Yes______No______. If yes, then:
      Too much paper work______
      Rules unclear______
      Slow deliveries______
      Prices too high______
      Time for inspection too short______
      Too long delays between steps______
      50/50 shipping too expensive______
      Not enough contact with USAID officials______
      Not enough published information about program______

   C. With U.S. suppliers? Yes______No______. If yes, then:
      Goods too expensive______
      Quality not good______
      Quality inconsistent______
      Spares not available______
      Spares too expensive______
      Performance guarantees not effective______
      Number of local representatives______
      Local representatives not helpful______

D. With banks? Yes_____ No_____. If yes, then:
Too slow in processing documents_____
Too stringent in applying rules_____
Give lower priority to CIP transactions_____
Shows favoritism between customers_____

11. How would firm improve CIP process?
(Free wheeling answers at this stage in view of specific complaints above).

12. Can firm give examples of how its use of CIP imported commodities contribute to economic or social development of country or region? (Case history approach).

13. What are firm's views on impact of CIP on private sector?
Little impact_____
Great impact_____
Explain.

14. On public sector?
Little_____
Great_____
Explain.

II. SAMPLE QUESTIONNAIRE
CIP EVALUATION

FOR BANKS

(NOTE: Actual questionnaire should leave ample space in which to record answers)

NAME OF BANK______________________ PERSON(S) INTERVIEWED:

LOCATION__________________________ ______________________________

__________________________________ TITLE:_________________________

1. How long has bank participated in CIP transactions? ______years
   Is bank in private______or public______sector?

2. What percentage of its import transactions are CIP financed? ______%

3. To what extent has handling CIP transactions affected bank income?
   No effect______
   Somewhat______
   Great deal______

4. Does bank in any way make a distinction between its CIP customers and those using regular import channels? Yes______No______.
   If so, how?
   Terms______
   Rates of interest______
   Restrict availabilities of foreign exchange______
   Other (Explain)____.

5. What are current terms charged by bank for local currency loans used to buy dollars for CIP imports?
   Years______
   Interest rate______
   Down payment______
   Distinction between private and public sector firms? Yes______No______.
   If yes, explain.

6. What are terms charged by bank for non-CIP local currency loans used to purchase foreign exchange?
   Years______
   Interest rates______
   Down payment______

7. What is percentage of defaults by CIP borrowers?______
   By non-CIP borrowers for foreign exchange?______

8. Does bank have a sufficient number of contacts with USAID officials?
   Yes______No______.
   If no, how frequent should they be?______

9. What are bank's chief complaints about the effects of CIP transactions on its operations? (Give examples).
   Too costly for time involved_____
   Too much interference from USAID_____
   Too much government red tape_____
   Rules change too often_____
   Problems with U.S. banks_____

10. How does bank view impact of CIP on private sector? On public sector?

11. Does bank have opinion on effect of CIP on any specific sectors of economy? (Building, manufacturing, agricultural, mining, industry, etc.)

III. SAMPLE QUESTIONNAIRE
"CIP LIKE" ACTIVITY EVALUATION

FOR INTERVIEWING ULTIMATE BENEFICIARIES
OF AGRICULTURAL SECTOR PROGRAM

1. What was crop production per acre before using USAID-imported fertilizer?
   ______tons (or bushels)

2. How much fertilizer did you use per acre before USAID fertilizer became available?
   ______bags
   ______tons

   How much did it cost per bag? ______. Per ton______.

3. How much did you sell your crop for the last year before using USAID fertilizer? Per bushel______.

4. How much fertilizer do you use now per acre? ______
   Is it the same kind you used before (if you know)? Yes______No______.

5. What is your crop production per acre now?______
   ______tons (or bushels).

6. How much do you sell your crop for now?
   ______per bushel.

7. In your opinion, has the use of fertilizer supplied through USAID improved your crop?______
   Improved your yield______
   Increased your income______
   Increased your profit______

8. Will you be able to afford to continue using fertilizer at the present prices?
   ______
   At higher prices______

9. Do you keep records of fertilizer use?
   Crop production and income?
   (Note: Interviewer may want to examine such records to amplify and verify answers to above questions).

10. General comments.

IV. SAMPLE QUESTIONNAIRE
"CIP LIKE" ACTIVITY EVALUATION

FOR INTERVIEWING IMPORTER OF FERTILIZER FINANCED BY USAID PROGRAM

NAME OF FIRM__________________________ PERSON(S) INTERVIEWED:

LOCATION______________________________ ______________________________

______________________________ TITLE: ______________________________

1. How many years in fertilizer importing business?______
   Did you go into business solely as a result of this program?______

2. What was annual volume of business prior to USAID program?______

3. Who were customers? (In terms of location, and whether individual farmers or members of cooperatives)______________________________

   ____

4. How much USAID financed fertilizer have you imported in the past two years?
   ______________________________tons or bags.

5. Has this replaced any fertilizers you imported through other channels?
   ____
   If so, to what extent? ______________________________

6. What was the price for which you sold fertilizer per bag from:
   - Non-U.S. sources______
   - For U.S. fertilizer______

7. What effect has the USAID import program had on your operations?
   - Expanded______(percentage)
   - Stayed same______

   On income?
   - Increased (percentage)______
   - No effect______

   On number of employees?
   - Increased (percentage)______
   - No effect______

8. What complaints do you have concerning this program?
   - Too much red tape______
   - Too many forms______
   - Too much government interference______
   - Too much USAID interference______

9. How would you change the USAID program? ______________________________

10. Do you plan to expand your business as a result of this program?____________

11. Can you relate any success stories among your customers using the new fertilizer? (Case histories)

CHAPTER V. EVALUATING THE ECONOMIC IMPACTS

A. Macro-Economic Effects

The effect of the CIP will vary greatly depending not only on the amount disbursed through the program but on the size of the country's economy. If the import program is modest in nature, the national income accounts of a large country may not readily illustrate the positive effect on growth. Nevertheless, a small country may show measurable changes in the accounts.

Changes in export prices, natural calamities, increase in other direct foreign investment and similar exogenous factors may well have a more telling impact on the economic situation in a large country than a CIP. A small country, on the other hand, may show measurable changes in its economy as a result of a relatively large CIP. The analysis may be of he country's national accounts or of the composition of GDP and industrial production and the composition of imports in general and specific industrial imports. The latter may be thought of as a macro-perspective analysis which would give a useful picture of the structure of the economy and how the CIP imports link into that structure. The choice of methods will depend on availability of data as well as the expertise and predilection of the evaluators. The two methods are not necessarily mutually exclusive.

National Accounts Approach

The impact of the program on gross domestic product may be considered in two different ways, the expenditure and income sides of GDP. Either gross domestic product or gross national product may be used, for they are very closely related.

Gross Domestic Product

Expenditures	Income
Consumption	Net National Product Depreciation

*Investment
*Government

* National Income
Indirect Business Taxes
Corporate Outlays
Corporate Savings

* Personal Income
Taxes

Disposable Personal Income
Personal Outlays
Personal Savings

The primary impact from the CIP will be on the accounts marked by an asterisk. The secondary effects of the program will impact on all of the GDP accounts. There are two possible approaches to evaluating the effects of the import program on the national accounts. The first one is to separate the effect of CIP imports on the individual sectors and then analyze and trace how they have affected national accounts such as investment and spending on the expenditure side of GDP, and personal and corporate income on the income side of GDP. Except in the case of a small country with a large program, the method may not be productive in relation to the time required to analyze the statistical data. Therefore, in general the method is not recommended here.

The second approach is to assume that the import program has had a positive effect on the national income accounts and then make a comparison of changes in the accounts since disbursements began with a comparable time period before the program was initiated. Allowance should be made for time lags between disbursements and final accounting which will vary in relation to recipient sectors. One of the major problems with this approach is that many other factors influence the national accounts. If these factors have been positive, more credit may be given to the import program than is warranted.

The ratio of merchandise imports to gross domestic product annually is an indicator that should prove useful in all evaluations:

$$\frac{\text{Merchandise Imports (CIF)}}{\text{GDP}} = \text{Ratio}$$

The ratio should be set up as a time series and include all years of CIP disbursements and a comparable prior time period.

There is a similar indicator which may be used; namely, merchandise imports to the production of all goods:

$$\frac{\text{Merchandise Imports (CIF)}}{\text{Production of All Goods}} = \text{Ratio}$$

If the Commodity Import Program has affected the export of agricultural and manufactured goods, the gross domestic product may be used also for two other ratios which are:

$$\frac{\text{Merchandise Exports (F.O.B.)}}{\text{Gross Domestic Product}} = \text{Ratio}$$

$$\frac{\text{Merchandise Exports (F.O.B.)}}{\text{Production of All Goods}} = \text{Ratio}$$

The direct effects on output and employment should be covered under analysis of the individual sectors. Nevertheless, the effects may be considered for the economy as a whole. Although it is recommended that the following economic indicators be considered at the macro economic level, they should not be made mandatory in an evaluation because most of them should be used in the sectoral analysis. These indicators are:

- Measures of agricultural production;
- Measures of manufacturing production;
- Employment in agriculture;
- Employment in manufacturing;
- Total civilian employment;
- Number unemployed;
- Rate of unemployment;
- Measures for manufacturing;
  - Output per man-hour;
  - Unit labor costs;
  - Hourly compensation per worker; and
- Advances in productivity in agriculture and manufacturing.

A major component of the national income accounts on the expenditure side is investment or fixed capital formation. Investment should be analyzed on the sectoral level; however, the national impact should be covered and related to gross domestic product. A ratio may be used and treated in a way similar to those cited above:

$$\frac{\text{Fixed Capital Formation}}{\text{Gross Domestic Product}} = \text{Ratio}$$

As with other measurements of national income, capital formation may not show striking changes.

Macro-Perspective Approach

As noted above, the macro-perspective approach to evaluating the economic impact of a CIP calls for the analysis of the effect of the imported goods on the GDP and industrial production. How do specific imports under CIP link into the overall economic structure of the country? This can be demonstrated statistically by using CIP arrival accounting reports to determine the kind and quantity of commodities and the types of industries and companies using them. The importing country's development plan will indicate the areas of industrial and economic emphasis, which will assist in determining such linkages. Other useful determinants are backward and forward linkages provided by imported goods. Kraft paper, not an end product in itself, is used in packaging material for the cement industry which in turn sells in both the domestic and export markets; other industries are also dependent on special kinds of packaging material-corrugated paper, for example, for fruit and vegetable processors and shippers. When considering the effect of capital equipment, production figures for electrical generation or coal output could show a direct relation to the installation of CIP-imported generators or mining equipment.

Finally, another topic of importance to the economy is inflation; this is discussed more fully under creation, use, and programming of counterpart funds. Three time series would provide information and are:

- Consumer price index
- Wholesale price index; and

• Prices in constant terms.

Development of the Private Sector and Small Business

Inquiry should be made as to how the Commodity Import Program has affected the development of the private sector. Although some of the observations may be covered in the sectoral analysis, the effect upon the whole economy should be considered. In addition, the growth of small business should be evaluated; and there should be an attempt to find examples of small business development. A chamber of commerce or association of private enterprises may be helpful in providing information. Here attempts to quantify results may be difficult. However, the number of licenses issued for new businesses annually might be a useful indicator as would the number of loans granted to new businesses and for plant expansion. Domestic development banks should be able to provide data on the size of loan recipients, with attention directed toward the small business sector.

Economic Linkages

In addition to the direct effects of commodity imports on individual firms and specific sectors, there are many indirect effects having positive and negative impacts on other sectors of the economy. To identify all of these, let alone trying to quantify them, would require a study beyond the scope of an evaluation. Therefore, it is recommended that the team evaluate only the significant indirect effects. Through the interview process the important effects should be identified. Included in many of the secondary effects are the ones that were not planned and, perhaps, negative impacts. Lack of coverage here is not to imply that indirect effects are not important, they are. But the problem is that such analysis can be time consuming.

Ratio of Relative Importance

In analyzing the effects of the Commodity Import Program on the national economy, an effort should be made to measure how the program has assisted the country in relation to the amount of savings that would have been required to import those commodities over a specified period of time. This measurement could be termed the Ratio of Relative Importance. In order to determine this ratio the following method should be used.

The amount disbursed under the program as measured by the counterpart funds generated in the local currency should be delineated for a specified time frame as follows:

Counterpart Funds

1978	1979	1980	1981	1982	Total
		Millions in the Unit of Account*			
36	45	48	50	49	228

For the same period of time the national savings as derived from the income side of the gross domestic product will be the other required series.

Business and Corporate Savings, Personal Savings

1978	1979	1980	1981	1982	Total
		Millions in the Unit of Account*			
70	70	80	78	77	

*Local currency

CIP generated counterpart funds equal 228 for the selected five-year period.

By adding one year of savings starting with 1978 and progressing through the time series, 220 is the total for the three year period 1978-1980, meaning that it would take the economy about three years to have saved enough in order to import the same quantity of goods supplied through the import program.

In the example presented above, the three years of savings is very close to the disbursements of the CIP over a period of five years, making three a convenient figure. However, greater accuracy could be achieved by dividing eight by 50 in order to get a fractional portion for the year 1981:

$$\frac{8}{50} = 0.16$$

Therefore, the factor of number of years would equal 3.16.

This is a simplified means of measuring for it does not include the problem that the country might have in obtaining the foreign exchange nor does it take into account either the rate of foreign exchange or differing foreign exchange rates for a particular period or over a period of five years. Nevertheless, the Ratio of Relative Importance does provide a tool for measuring, although it poses difficulties.

B. Impact on Selected Sectors Through CIP

A CIP has many variations regarding the importation of agricultural commodities, raw materials, and manufactured products. Imports may flow to any number of sectors.

Programs initiated for political and immediate development effects will be typical of unrestricted import programs. In contrast, programs oriented almost exclusively toward development will delineate in varying degrees the commodities eligible for import and may be specific regarding the sectors. "CIP-like" programs specify commodities and/or sectors eligible for the program. Thus, the evaluation team will have a number of areas to explore.

The following suggestions for analyzing sectoral impact may require more time than that allotted for the evaluation. To avoid the indicated detailed analysis of the sector the team should determine in advance if any such work had been performed previously by AID, the World Bank, UNDP or other donors, or by the host government, local universities, industry associations or chambers of commerce. If so, valuable hours or days of the team's time could be saved. Such a search should commence well before the team arrives in country. Previous studies might include such measures as the following:

-- import coefficients for the economy, industrial sector and selected industries;

-- capital/output ratios for the economy and selected industries;

-- employment generation resulting from different types of investment;

-- employment effects of different rates of capacity utilization.

First, before analyzing any of the sectors, the team should review the overall mix of goods imported under the program.

Second, there should be an aggregation into sectoral categories.

Third, a major question is, did any of the goods and commodities replace domestically produced goods? Any finding that imported goods under the program replaced goods produced in the country would be a negative factor in evaluation because of the loss of output and employment for domestic producers.

Fourth, how was the allocation of CIP goods made originally? The evaluation team should draw conclusions as to whether the selection of commodities proved justified.

Sectoral Analysis

If a CIP has included a wide variety of commodities covering many sectors, it is recommended that the evaluation team concentrate on a few selected sectors for an in-depth analysis. For example, assume the following CIP imports over the period of time being evaluated.

Chicken feed	35%
Industrial raw material (wood for pre-fabricated housing)	33%

Railroad equipment	18%
Crude oil	12%
Fertilizer	10%
Miscellaneous	2%
TOTAL	100%

In order to keep the expense of an evaluation study reasonable or in obtaining maximum information for a minimum cost, a recommended method would be to analyze developments in only the egg and poultry industry and in the subsector of the housing industry affected by imports of wood. The two sectors cover 68 percent of CIP imports.

The question will arise as to the analysis of the railroad industry that has accounted for 18 percent of the program. It is believed here that the evaluators may encounter diminishing returns, but an in-depth analysis might be done, time permitting.

Under the methodology proposed, crude oil, fertilizer, and miscellaneous would be only subject to a cursory evaluation. For instance, in regard to crude oil, where was it used? Could it have been re-exported? Are there any success stories, or failures, connected with the importation of CIP goods to industries in the miscellaneous designation?

In the sectoral analysis an important economic question is whether the country has a comparative advantage in the industrial sector or subsector (manufacturing or agricultural) that has been a recipient of imports under the import program. Although determining comparative advantage might be elusive, the more extreme cases can be identified. Where there is no comparative advantage the effects of the program may have been desultory. Where it is obvious that economic costs, or a lack of comparative advantage, are high in regard to the particular industry, the CIP program may have contributed to a misallocation of resources.

It is recommended that only those cases where an industry is obviously high cost and with absolutely no comparative advantage be cited in regard to the negative impacts of the import program. Where there is an obvious comparative advantage, the positive impacts of the CIP program should be given credit.

Many industrial enterprises (manufacturing and agricultural) are in a gray area between comparative advantage and no comparative advantage. But to make the distinction requires a detailed study based on international cost analysis, including shadow pricing for each industry. This analysis could help determine comparative factor costs and whether an industry has a comparative advantage or not. Furthermore, the international market is evolving continuously and what may be currently unecomomical may shift to being economical in the future. Growth of local markets also will convert many industries into sound economic entities in the near future.

The assumption is that many of these firms have been financially viable or successful in obtaining profits, because of tariffs or other protective devices, but they may have been uneconomical in the international market.

For in-depth analysis of the specific sectors, the following questions should be considered:

(a) Are spare parts for American made machinery imported with CIP funds readily available?

(b) Are raw material imports efficiently utilized by American-made machinery?

(c) Are logical patterns of international trade being disturbed by the CIP program? This question is important for major imports. Could imports have come from a closer source?

(d) Have recipients of the program benefitted through excessive profits?

(e) What have been the effects on client labor costs and productivity in manufacturing?

Since the national income accounts are aggregate figures for the whole economy, they offer limited help in analyzing any of the sectors. Returning to our two sectors to be given an in-depth analysis, the egg and poultry and the housing industries, there are a number of indicators that would be helpful in measuring the impact of the program.

The effect on the egg and poultry industry from CIP imported chicken feed would be in proportion to their use in the feeding program for poultry; however, there may be an added stimulus that creates greater output through a multiplier effect starting from a factor of one and moving upward say from 1.0, 1.2, 1.5, etc.

The same questions and analysis will be required for the impact of wood on the housing industry. Indicators to measure the impact would include, but not necessarily be limited to, the following:

1. Output (Annual)
   a. Egg and poultry industry
      - Number of chickens sold to packing plants
      - Number of eggs marketed
      - Relative prices -- are real prices the same, lower, or higher?

   b. Housing industry
      - Housing starts
      - Number of units sold
      - Quality of housing (better or not)
      - Relative prices

2. Increase in employment
   - Skilled
   - Unskilled

3. Increase in total personal income of those employed because of gains in the industry through the CIP.

4. Changes in investment in industry

5. Technological changes

6. Linkages to other industries (input-output approach)
   a. Egg and poultry industry
      - Poultry industry equipment
      - Processing industry
      - Marketing of poultry and eggs at retail

   b. Housing industry
      - Supplier industries (plumbing, electrical, cement, etc.)
      - Effect on housing credit institutions
      - Furniture industry
      - Public services

7. Effect on consuming public
   a. Egg and poultry industry
      - Increased use of poultry/eggs and the effect on diet.
      - Relative prices -- Are real prices the same, lower, or higher.

   b. Housing industry
      - Number of units sold
      - Quality of housing (better or not)

Micro Effect

In order to determine the effect of the import program, there should be interviews at firms both large and medium-sized. Small firms may be included; however, the results obtained from the small firms may not justify the time and expense of evaluation . Interviews should provide answers to a number of questions regarding the effect on individual firms, including the following ones:

1. Changes in output.
2. Effect on gross revenues.

3. Employment effects.

4. If machinery was imported (U.S. origin), was it appropriate to the country situation?

6. Did the capital-labor ratio shift? If the ratio rose, did this result in some workers being laid off? Or did the output rise sufficiently to offset adverse labor effects?

7. Were raw materials (U.S.A. origin) suitable for machinery in use?

8. Did the rate of capacity utilization for the plant or plants change?

9. In the opinion of management, what were the positive and negative impacts of the CIP program on the firm?

10. To what extent have profits benefited from the program?

11. What are the primary reasons for a firm staying in the CIP? (a) quality of U.S. goods; (b) availability of spare parts; (c) customer preference; and (d) favorable foreign exchange (U.S. dollar) rates.

C. Impact on the Balance of Payments

The most important feature of the commodity import program is the importation into a developing country of foreign goods without the expenditure of a nation's foreign exchange. The program may range from a wide variety of U.S. manufactured goods or commodities to "CIP-like" programs that specify either particular goods or commodities for one sector of the economy.

The balance of payments is an accounting device for recording external merchandise and monetary flows beyond national borders. In analyzing the balance of payments, the effect in monetary terms is seen and easily measured as disbursements under the programs take place. However, through the transfer of often large quantities of resources the best measurements for evaluating the overall effects of a commodity import program are undoubtedly output, employment, and effect on the national accounts in general. The political and social effects of the programs are likewise important.

Regarding CIP, the changes n the balance of payments may be almost immediate, if the goods are traditionally imported from the U.S. and if there has been a more or less continuous flow of goods from the U.S. up until the time that the CIP agreement is signed. On the other hand, goods coming from new sources, such as the USA, may not improve the balance of payments rapidly.

In evaluating the effect of the program on the recipient country's balance of payments, the current account should be analyzed. In general, the capital account is not affected except in the case of a cash transfer; and this will be the case only if a payment is made by the U.S. government into the foreign exchange account of the recipient's central bank. Even in this case, it is recommended that analysis be confined to the current account covering both government and private transactions.

The effect on the balance of the recipient's current account will be determined by the degree that it is in deficit in relation to the amount disbursed under the program. A discussion of the deficit in relation to exports and imports and the extent that the account is brought into surplus or deficit in monetary terms for individual years is usually the methodology for reporting this effect. The method may be the most logical and practical also for CIP evaluations.

A modest improvement could be made in quantifying the results for a number of years by stating the percentage that the deficit has been improved over those years. The following table is illustrative of how this might be done.

	1980	1981	1982	1983	Total
			Millions of $'s		
CIP DISBURSEMENT	2.0	2.5	2.5	3.0	10.0
DEFICITS (Without CIP)	5.1	4.8	5.2	4.9	20.0
Percentage	39.2	52.1	48.1	61.2	50.0

For example, in the above table it can be seen that the balance on the current account was improved by 39.2 percent in 1980, which we assume was the first year of disbursement, to 61.2 percent for 1983. The average improvement for the four years was 50 percent.

The CIP disbursement data can be obtained easily; however, the deficit without CIP imports assumes that the country was able to import all of the goods. This assumption might be incorrect, but for the sake of measuring it may be assumed. Calculations are easy. The probable deficit without the CIP can be found by adding CIP disbursements to the published deficit on the current account.

By deriving a percentage for assistance to the current account from the CIP program for the last four to six years, a comparison with the evaluations of other programs can be established as they are completed.

The problem for the evaluator is not so much a matter of how to calculate the impact on BOP, but how to assess the meaning of that impact. Where CIP is not a major factor in a country's import totals, the impact will be small and unimportant. The exception is a situation in which CIP imports displace regular free foreign exchange imports. The result in those rare instances would be a building up of the country's foreign exchange or a reduction in its foreign exchange debt.

There may be instances in which the importing country faces a true scarcity situation and the CIP is thus clearly additive. This would most often occur at the beginning of the CIP after AID has determined that an urgent economic situation demands such an intervention.

One AID economist* has pointed out that the first question to determine is whether AID is providing commodities additional to that which would have been imported in the absence of the program or providing goods that would have been imported anyway. In the latter case he points out that it is almost impossible to

*Michael Crosswell, A.I.D. Project Impact Evaluation Report No. 51 on the Jamaica PL 480 Program, February, 1984.

trace specific inputs and that the important question is whether host country policies were conducive to productive use of the foreign exchange; he notes that the unimportant question is the impact of specific commodities, although an evaluation ought to discuss the policies governing the productivity of a particular commodity (fertilizer for example).

But CIP often has additional objectives beyond the addition of commodities or even foreign exchange: one may be to influence the particular mix of commodities that enter a country or to introduce new commodities that had not hitherto been used or accepted by the market (corn for chicken feed in Egypt, for example, where the only source of such corn is the United States and Egypt-U.S. trade relations had been tenuous prior to 1974). An analagous situation may be one in which a person's diet is changed -- the total calories may not be different, but the mix of foods may provide a more nutritious diet.

Again, no one method of analysis will do for every evaluation. Much depends on the local situation, the objectives of the CIP, and the makeup of the evaluating team.

There are also peripheral issues, including the following:

1. If CIP disbursements were slowed in any year, what were the negative impacts?
2. What has been the effect through an improved balance of payments of the ability of the banking system to obtain foreign loans and at lower interest rates?
3. To what extent have improvements in the current account affected the government's ability to meet IMF requirements?
4. Are there fewer restrictions on the use of foreign exchange? Can specific central bank actions be cited?

<u>Indicators</u>

1. Current Account
   a. Private Accounts
   b. Government Account
2. CIP Disbursements -- From USAID and AID/W documents.

D. The Creation, Use, and Programming of Counterpart Funds

In a small country with a large CIP program, there may be a noticeable effect on the money supply by the creation of counterpart funds. If the central bank has not been careful in controlling the money supply, additional money in the economy may be the result of several factors, including deficit financing and the generation of counterpart funds. Unless the central bank closely monitors their use, a large generation of counterpart funds could induce a higher level of inflation. It is the responsibility of the central banking authority to set the growth rate of the money supply. Consequently, increased counterpart funds alone should not create a large increase in the money supply assuming that the central bank assumes its responsibility. Therefore, it is recommended that changes in the supply of money over the period of disbursement need not be analyzed.

If there is a charge that the CIP program has induced inflation by the creation of additional monetary resources because of growing counterpart funds, the evaluator should discuss this allegation with the economic counselor of the Embassy or AID economist. If it has merit, it should be reported.

Through letters of commitment and letters of credit from AID and the banking system, a mechanism is established for the importer to place orders for desired equipment and commodities under the CIP program. Both private and public importers of CIP goods will pay for CIP imports through the banking system, with funds eventually being deposited into a CIP special account at the central bank or possibly some designated commercial bank.

It is reported that some countries allow only a few banks to deal in the CIP program, thereby denying business to other banks; but many countries allow all recognized commercial banks to deal with the CIP program. It is recommended that the evaluation team answer the following questions:

(a) How responsive was the banking system in handling the CIP accounts, upon initiation of the program?

(b) Was the government fair in its allocation of CIP business to the banking community?

(c) Did the recipients of CIP goods have problems in obtaining loans for their purchases?

(d) What percentage of borrowers under the CIP program defaulted on their loans?

Through the special CIP account established to receive all CIP-generated counterpart funds, the government and/or central bank theoretically have options regarding their use. They may freeze the funds or use all of them for expenditures. The rate at which these funds can be spent will vary depending on the individual program and country situations.

The use of the funds will be determined by prior agreement with AID. There could be support to the operating budget of the government. Often, CIP programs have included a formal agreement with the government, whether grant or loan, for the funds to be allocated to development projects. Both governments establish a joint monitoring system for the use of funds; evaluation of the monitoring of the funds is directly related to auditing.

In order to make a determination of the effective use of CIP-generated counterpart funds, the uses to which the funds are put should be evaluated. Development projects having major support from these funds should be included. In evaluating a CIP program, there may be an assumption that virtually all of the development projects met the criteria of effectiveness on initial approval.

An evaluation of the CIP program could include an assessment of the impact of the benefitting development projects. Such an exercise will require assistance from AID mission staff, and their collective experience in dealing with projects over a number of years should be helpful. Projects could be grouped into four categories, and given simple numerical points, which, for example, could be:

- High impact 3 points
- Medium impact 2 points
- Low impact 1 point
- No impact 0 point

Project points and number of projects should be totaled, and the average points for the projects as as whole may be found as follows:

$$\frac{\text{Total Points}}{\text{Number of Projects}} = \text{average points per project}$$

$$\frac{92}{46 \text{ projects}} = 2.0 \text{ is the impact}$$

The impact could range from 0 to 3.

Unless it can be found that the money was allocated for development purposes, counterpart funds included in the government's operating budget should be given a zero rating of impact.

Admittedly, such a system is flawed because it is open to many judgemental and subjective factors. For instance, should a project that has stimulated a purely economic factor, such as output, be weighted more heavily than a socially oriented one that may have, for example, increased awareness of family planning programs? It is recommended that only the impact of the project be considered. Any negative impacts would work against a project's impact standing.

Counterpart funds advanced to development banks should be considered and would fall into higher impact categories. If included in the loan portfolio, development bank funds have the advantage of being repaid and loaned again.

A special section should include the positive effects on how the private enterprise system has benefited through CIP-generated funds. This assessment should be generalized in regard to analysis of the sector but should also give specific examples of how the program positively affected private firms.

CHAPTER VI. EVALUATING THE NON-ECONOMIC FACTORS

A. Management and Efficiency of the CIP

One member of the team, preferably one who has had prior AID management, program direction, or CIP experience, should be given the responsibility for this part of the evaluation. At the risk of belaboring the point, pains should be taken to resist adopting an audit approach when evaluating the management of a CIP or "CIP-like" activity. In each such program, particularly one having had a long life, there well might be instances of improper vouchers, commodities that proved to be defective, or similar shortcomings. While they may be mentioned in the report, unless they are seen to be endemic in the system they should not become the focus of the report.

Similarly, evaluators must maintain the fine line between the efficiency of the system and its impact. There is a tendency to examine the rate and level of fund disbursements and imports at a single point, or at the beginning of a program, and conclude that the program impact is adversely affected. No CIP or "CIP-like" activity will be able to disburse funds or generate imports for the first several months of its existence.* Once started, however, such activities will reach levels which can be measured. The test then is how well the level was maintained. There will be aberrations among various commodities, depending not only on the nature of the commodity, but on whether the importer is in the private or public sector and on his experience in handling international transactions and dealing with shippers, freight forwarders and port officials. Complaints will be heard from individual firms about U.S. regulations, red tape, "50/50" shipping requirements, bid problems, inspection delays, etc. Each of those problems is real to the affected importer, but care must be taken to determine whether the complaints are part of a pattern or isolated examples. If the former, these complaints bear mentioning in the report as an impact problem or as a problem affecting the perception, and even the participation, of the import community.

Although World Bank reports indicate rapid disbursements -- less than six months -- for many of its program or structural adjustment loans.

Indicators:

1. The average disbursement rate and import level for the program since the first transaction.

   Data sources: SER/COM printouts for CIP; USAID arrival accounting figures.

2. The opinion of program participants concerning the efficiency of the system.

   Data source: Interviews with importers, bankers and government officials, validated by interviews with USAID and embassy personnel.

3. Percentage of the transactions, by number and value, which have been subject to end-use audits in USAID. How thorough are the audits? Has there been follow-up?

   Data source: Controller's office for copies of the audits and examples of follow-up actions.

4. Extent the local currency special account is monitored by USAID. Who does the accounting for the deposits and disbursements? Are the agreements for the use of the funds specific in allotting responsibility for funding decisions, monitoring and auditing? (See Chapter V for a full discussion of evaluating the impact of the special account.)

   Data source: Controller's office for reports; appropriate government agency records concerning deposit of funds; program office for agreement on funding of selected projects.

5. How frequently does the CIP or technical staff meet with relevant government officials, the import community and the banks? Is there a regular meeting schedule? Is there a mechanism for representatives of all participants to meet with one another in a committee or advisory council?

Data source: Interviews with participants in the program.

6. What is the degree of interaction between the CIP office in USAID and the rest of the mission? Isolated or participatory? Does the program receive a sufficiently high level of scrutiny by mission management? Is there an attempt by the mission to make CIP complementary to the USAID project program? If so, have guidelines been issued?

   Data source: Interviews with CIP staff and USAID management, including program office; review of mission orders.

7. Is there an input by the technical divisions into CIP decisions that affect a given technical area? Do the technical divisions have veto power over a given CIP transaction? What is the basis for exercising that power? To what extent are large infrastructure or turnkey CIP transactions monitored to insure timely arrival of commodities? To determine the ability of recipients to use the commodities and to monitor the facility? Is there a system for converting such transactions into "project-like" activities or even into projects for inclusion in the mission project review system?

   Data source: Interviews with technical division personnel, CIP staff and examination of mission project review system.

8. Attitude of the CIP staff toward the purposes and function of the CIP. Is it harmonious with mission management's or program division's views?

   Data source: Interviews with CIP, program and mission management.

9. Size and composition of the CIP staff.

   a. Number and variety of CIP transactions. A great number of relatively small transactions in different commodity groups may require more staff of a specialized nature. A dozen large bulk transactions a year totaling several million dollars may only require one supply officer, but specialists may be required for iron and steel, agricultural commodities, health supplies, etc.

b. Sophistication and experience of the importing and banking community. The more experienced the business community, the less it will depend on CIP staff for guidance, specification drafting, screening of transactions and assistance in dealing with American banks and AID/W. (But an overly sophisticated import community, that is to say, one that seeks opportunities to manipulate the system for its own gains beyond the usual profit margins, may require an increase in commodity specialists to pre-audit every transaction.)

c. If the program is largely for the benefit of the parastatal sector there may be an increased amount of paperwork because of the requirement for competitive bidding and the large number of agencies and organizations that must be dealt with, each varying in experience and sophistication.

Data sources: Interviews with mission management, CIP management and staff; with users of the program to determine if any delays or inefficiencies in the system are perceived due to inadequate staffing; discussion with SER/COM in AID/W prior to departure.

10. Status of the arrival accounting system. To what extent is it utilized by the CIP staff? Intermittently or on a frequent basis? Is there an ADP system in the mission that includes CIP transactions? How effective is it in tracking CIP transactions? Are reports provided to the recipient government agencies and ministries on a timely and regular basis?

Data source: Interviews with controller, CIP staff and government officials; examination of the systems by a knowledgeable ADP expert (necessary if the ADP system is large and complex).

B. Policy Dialogue

Pursuing a policy dialogue with host government officials to effect structural adjustments or changes in the economy is a major priority for USAID directors and often ambassadors. The extent to which CIP and "CIP-like" activities form the basis for such discussions depends often on how the particular programs are conditioned. Practice indicates that "CIP-like" activities are more often specifically structured through preconditions, tranching or specific covenants for these purposes than are CIPs. On the other hand, CIP agreements increasingly are including such conditions. But even without conditions being imposed, large CIPs will often be important in such dialogues. Once having confirmed that the policy dialogue includes these programs, it is incumbent on the evaluators to test their effect on the discussions.

Indicators of success may be either objective or subjective. If the latter, interviews with participants on both sides of the dialogue will reveal what they feel has been progress to date and the impact of the program under evaluation. But caution is indicated. Host government officials, if they are willing to discuss the issues at all, may be defensive about the need for using existing programs to "force" them to take given actions. U.S. participants may be no less frank in discussing what are often sensitive areas of negotiations beween the two governments (and often between the host government and the IMF or World Bank).

Indicators:

1. Overt policy changes corresponding to conditions and covenants in program agreements.

   Data source: Changes as evidenced in host government announcements, rules, decrees, laws or regulations; interviews with USAID and embassy officials.

2. Unannounced policy changes pursuant to conditions in program agreements.

   Data source: Interviews with government officials; market research; interviews with USAID and embassy officials.

3. Successful IMF negotiations on standby agreements if made a condition of loan or grant.

   Data source: IMF officials.

C. Development Impact

Because "CIP-like" activities are more narrowly focused than regular CIPs, usually on one sector or even subsector, evaluating their development impact is more straightforward. If, for example, the loan or grant is for the energy sector, evaluating the development impact could be the same as if it were a regular project and the project evaluation techniques in AID's Handbook No. 3 would be applicable. The indicators in sections A and B above may be used to determine the management and efficiency of the program and its impact on policy dialogue. But for regular CIP activities the problem may be more difficult unless specific development goals are made part of the CIP agreement. Most CIP's are not primarily designed for their development impact (despite the admonition in the FAACT of 1961 that development policy be taken into consideration when planning ESF assistance). The emphasis remains on disbursements and import flows, with development goals being added without material changes in imports. One effective method has been to emphasize imports for specific sectors such as industrial production or agriculture. When this is done, evaluation is made easier as measurements of productivity or output may be meaningful.

But because of the emphasis on inputs, development may be adversely affected through the financing of imports of commodities and equipment too sophisticated, complex or expensive in relation to the basic development needs and priorities of the country. An example is financing sophisticated medical diagnostic equipment with its usefulness limited to a few unique cases when the country needs equipment or medicine to provide primary health care for the vast majority. Such adverse impacts are difficult to measure in quantitive terms. They are often most graphically illustrated by case histories. Indeed, case histories may provide a better methodology for evaluating the development impact of a CIP activity in the absence of quantitative goals in the CIP agreement, but care must be taken in extrapolating from those anecdotal experiences.

In Zimbabwe, one important intended effect of the CIP was the generation of local currency to be used for capital costs for the country's development projects, with Zimbabwe being responsible for recurring costs. The evaluation team assessed the impact of those projects in much the same manner as projects are normally evaluated. In situations where the special account is not a major intended objective of the program, an evaluation of the projects may not be called for; it may be sufficient to assess the management of the account and review the record for compliance with the underlying agreements.

When a program is largely for the benefit of the government agencies and parastatal organizations, the government allocates the foreign currency credits by ministry, agency and sector. A review of the selection and allocation system may provide insight into the government's development policies and the efficiencies of the system, as it pertains both to foreign exchange and commodities. (In a largely private sector program, it is assumed that normal market forces result in a proper allocation and selection of commodities unless there is government intervention.) Evaluating the government's allocation system requires an examination of the budget process, beginning with individual agency or organization budgets, tracing the review process through each level, ending with an analysis of the final decision process. This could be included in a scope of work, but if so, the team should have a public administration or budget expert available to it.

Indicators:

1. If the development targets or criteria are set out in the CIP agreement, they may be used as primary indicators. If the program was to be used to import needed medical equipment for rural areas, indicators would be the volume and appropriateness of the imports, the number of beneficiaries affected and the change in their health status.

   Data source: CIP records, including arrival accounting; on site visits to facilities receiving and using the equipment; end use audit reports; interviews with the health division staff in USAID and the ministry of health officials in the government.

2. If a stated target was an increase in productivity in a given sector of the economy, the indicators would be productivity figures for the sector prior to CIP and after, with allowances for the effect of other factors such as domestic or other foreign investment. But the data may not be that readily available in many less developed countries.

Data sources, if available: National bank statistics; industry association records; interviews with leading firms within the sector; embassy statistics; chamber of commerce interviews.

D. Political Impact

Measuring the political impact of any part of an AID program requires a sensitivity on the part of the evaluators to the nuances of the political setting. Washington briefings should have provided some insights. Policy dialogue and the part played by CIP and "CIP-like" activities will be a prime area of inquiry and is covered in "B" above. In addition, the scope of work may require the evaluators to assess the impact of the program in other areas.

Indicators:

1. The public perception of the role played by this particular U.S. activity.

    Data sources: Interviews with embassy staff and USIA officials; USIA files for newspaper articles or TV publicity programs; interviews with bankers and firms not participating in the program.

2. The "visibility" of the program.

    Data sources: Interviews with embassy concerning feedback from government officials on "too many Americans," or "too much emphasis on U.S. marking requirements"; embassy staff on its perception of "too many Americans."

3. Demands for converting the program to alternate methods such as a cash transfer.

    Data sources: USAID interviews, embassy comments, carefully selected interviews with recipient government officials.

Reporting the Assessment Results:

If the scope of work asks for a political impact evaluation, it should also indicate whether that portion of the report should be in a separate limited-distribution annex. Only in sensitive situations should a part of an evaluation be administratively restricted. If the report is to be deemed credible by its audience, the less it is limited the better. A carefully crafted report could avoid direct quotations and still retain the essence of the points made. In the Egypt CIP evaluation the "sensitive" question of whether a part or all of the CIP should be converted to a cash transfer or some other type of program was openly discussed with Egyptian officals and embassy staff and the pros and cons presented in the body of the report.

In addition, guidance should be sought from those on the scene, particularly the ambassador or mission director.

E. Distribution of Benefits

In a "CIP-like" activity with its narrower focus, determining the extent of the distribution of benefits should present no difficulties.

Indicators (in a fertilizer program, for example):

1. Degree of access which designated beneficiaries have to obtaining fertilizer.

2. The benefit/cost analysis of its use. (See the Project Evaluation Summary for the Fertilizer Promotion Project in India, dated August 24, 1981, for an excellent model for this kind of evaluation.)

   Data sources: Records showing number of tons imported, purchases by small, intermediate and large farmers; interviews with users to determine effect on crop yields, profits before and after the use of fertilizer.

For a CIP activity, even determining the beneficiaries may prove difficult, other than naming the active participants such as importers, end users and banks. Firms may have problems in isolating the effect of their CIP imports on their employment. With respect to benefits for consumers of the output generated by CIP imports, inquiry would have to be made on a sector-by- sector basis. This underscores the advisability of using a case history approach. For example, a major CIP import in Egypt has been refuse collection equipment.

Because the person in charge of waste collection for Cairo was an enthusiastic and articulate advocate of the benefits of the equipment, the evaluation report was able to demonstrate the employment effects (negative as motorized equipment replaced hand laborers), environmental effects (using sealed containers as opposed to open donkey carts), and potential positive use of the refuse (pilot compost plants).

Indicators will vary from one industry or sector to another. If the CIP has provided additional railroad equipment, a more complicated analysis would be required. It must be determined first how much is replacement and how much additive. Then resulting effects on passenger and freight miles and rates must be computed along with determining if new lines were extended into heretofore unserved areas or communities. Then the social benefits may be estimated for passengers and those dependent on freight.

If a large quantity of raw materials such as iron coils or bars has been imported, an analysis would be required of the products which were manufactured from those bars and coils and the uses to which the end products were put (construction of buildings or homes) and the beneficiaries or users of the end products (those occupying the homes or being employed as a result of the new construction).

> Data sources: For this type of analysis there is little likelihood of statistical data being available beyond the import figures and the amount going to individual firms or government agencies. The primary source of information would be interviews and on-site visits.

Mission CIP staff should be able to provide leads that would yield a useful analysis of both the beneficiaries and the benefits.

F. U.S. Market Share

An unspoken but nonetheless important aspect of a CIP is the effect it may have on American suppliers' permanent share of the import market in the recipient country through the sale of equipment and spare parts.

Indicators:

Determining the share is a matter of comparing data prior to and during the life of a CIP. Bar charts will show a comparison of U.S. imports in the country to all imports by totals and by major commodity groups. See Tables I - III for examples.

To determine the trend of U.S. market penetration, Table III is possibly predictive, showing that there is a growth of non-CIP financed share of the market. But whether the trend will continue at higher levels or even stay the same depends on other less quantifiable factors such as consumer acceptance, price, availability of adequate foreign exchange at rates which make U.S. goods competitive with other imports, aggressiveness of U.S. suppliers in exploiting the market and the quality of local representation and service. This is particularly important if the CIP is reduced or terminated.

> Data source: For the tables, national bank, World Bank, IMF and U.S. import and export statistics; for other more subjective data, interviews with importers, banks, consumers and U.S. supplier representatives in the country.

TABLE I
U.S. EXPORTS IN COMPARISON TO ALL EXPORTS TO COUNTRY
(In $Million 1979-1984)

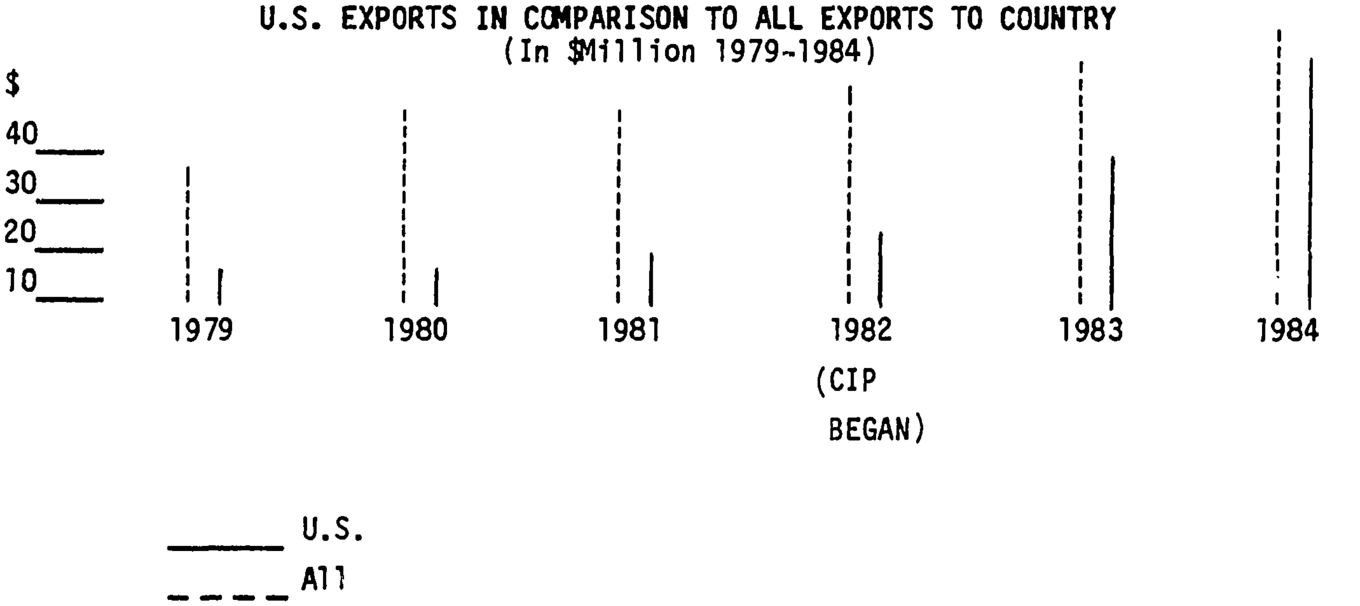


TABLE II
SHOWING U.S. EXPORTS OF TRUCKS TO COUNTRY COMPARED TO ALL IMPORTS OF TRUCKS
(In $Million - 1979 1984)

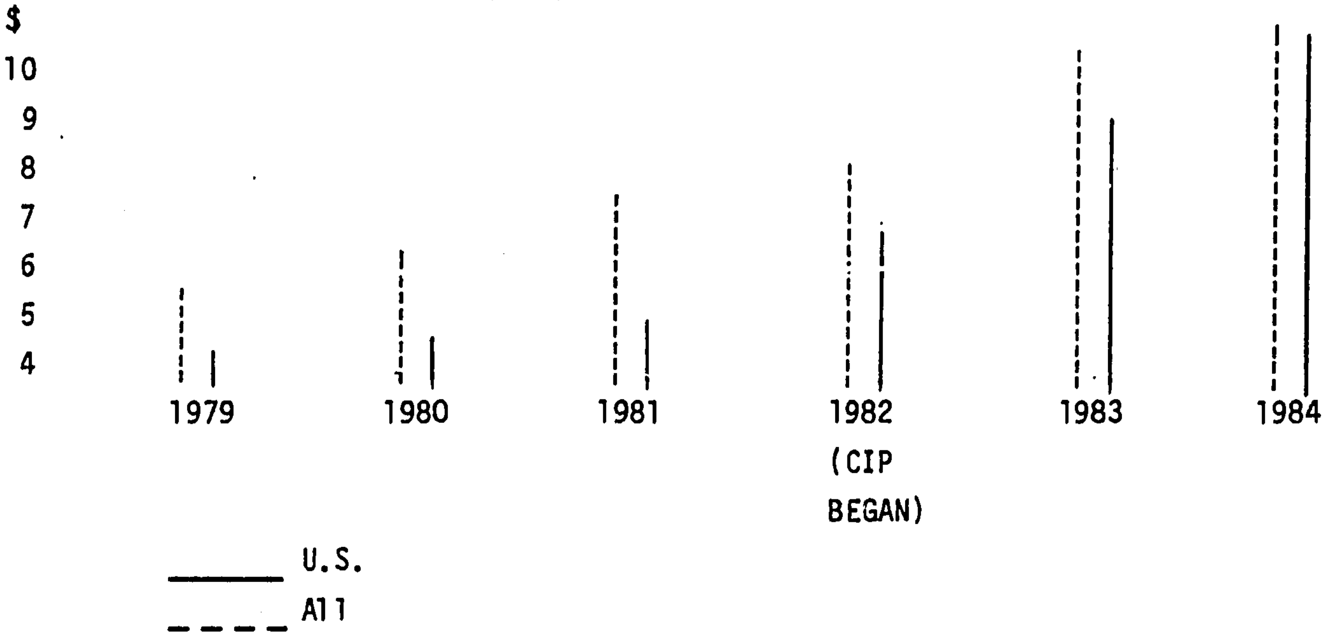
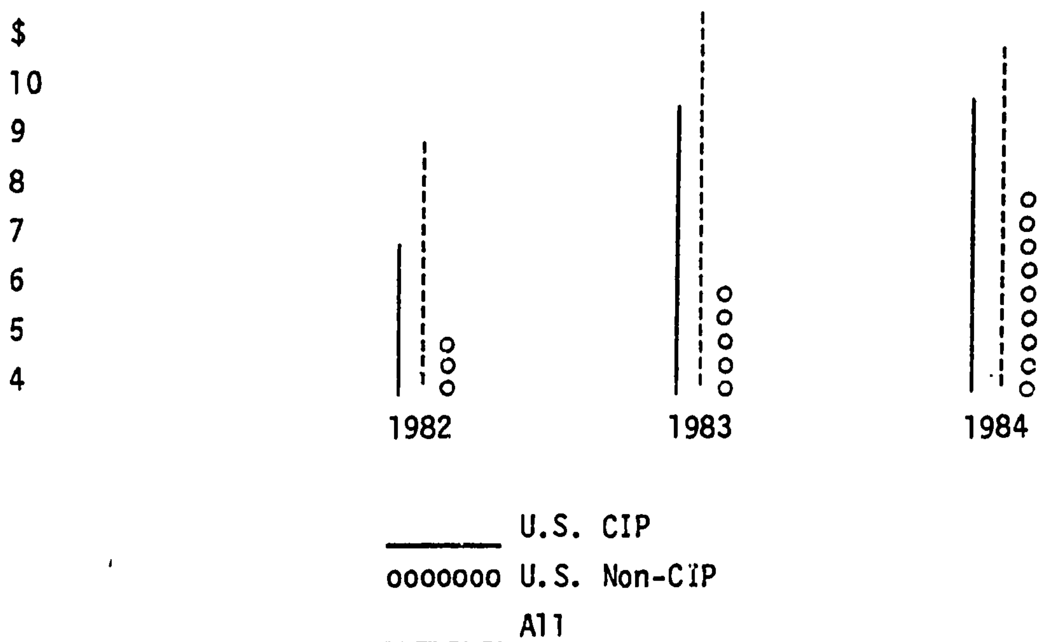


TABLE III
U.S. EXPORTS OF TRUCKS TO COUNTRY THROUGH CIP AND NON-CIP COMPARED TO ALL IMPORTS OF TRUCKS
$Million 1982 through 1984



CHAPTER VII. THE REPORT

The end result of an evaluation is to provide a method by which the evaluators are able to record and transmit their findings, conclusions and recommendations to those who will use them in designing future assistance activities or apply them to ongoing programs.

The AID format for project evaluation reports in Handbook No. 3, of which many good examples are found in the series of published evaluation reports, is useful for non-project evaluations as well. A suggested outline of a report is found at the end of this chapter. Experience dictates that many readers do not go beyond the "Executive Summary." Thus, drafters should extract their major findings and recommendations for inclusion in that section, and the more detailed statistical findings and tables should be saved for annexes.

Recommendations for future-action, whether by the managers of the program being evaluated or for designers of future programs, should flow logically and directly from the findings and conclusions. The latter should have a valid data base. One criticism leveled at the draft Egypt report was the lack of sufficient data to justify the conclusions, particularly in the analysis of developmental impact. Thus, it is better at the outset to indicate areas in which data was not available or was inconclusive.

Keeping in mind that the purpose of an evaluation is to be constructive, the language and style should remain unsensational and professional. Raised hackles will only result in defensive responses and little inclination to accept recommendations. As noted in Chapter II, the report should be directed towards its audience, taking into consideration host government sensitivities and the often disparate interests of programmers and implementers.

In some situations the USAID may require a "final draft" of the report before the team's departure -- a manner of insuring that the USAID has an initial input into the final product. This should be accompanied by a debriefing session with interested USAID and embassy personnel. This not only helps to emphasize important portions of the report or underscore certain recommendations, it will provide the team with some initial reactions that will aid in writing the final version. This is especially true if the draft has been circulated at least 24 hours before the debriefing.

A final caution: Report writers must finally write "finis" to their efforts, thus foregoing that one further analysis or the attempt to reduce all the data to yet another esoteric formula.

This concludes the team's report on developing guidelines for the evaluation of CIP and "CIP-like" programs. A final section contains a series of relevant annexes. The sample scopes of work in Annexes A and B capture to a large extent the essence of this report. They are not to be slavishly followed; they should be tailored to the specific situation. But the authors are confident that their use by AID when drafting scopes of work for evaluating non-project assistance activities will facilitate the work of those selected to carry out that important task.

RECOMMENDED OUTLINE FOR A CIP EVALUATION REPORT

Introduction

I. Executive Summary

II. Background of The Program

A. Political
B. Economic
C. Original Objectives
B. Implied and Additional AID Requirements

III. Policy Dialogue With Host Government

IV. Impact on The Balance of Payments

V. Impact on Selected Sectors

VI. Economic Effects of the Program

A. Macro-Economic
B. On the Private Sector
C. Economic Linkages
D. Ratio of Relative Importance

VII. Development Impact

A. Measured by Specified Objectives
B. Unintended or Unforeseeable Effects
C. Complementarity with USAID Goals

VIII. Local Currency Special Account

A. Management and Accounting
B. Disbursement of Funds
C. Projects Financed

IX. Management of the Program

A. Efficiency of Distribution of Commodities
B. Arrival Accounting and ADP Systems
C. End-Use Audits
D. Relations within USAID
E. Relations with Government Officials
F. Size and Composition of Staff

X. Recommendations and Lessons Learned

Annexes

A. Statistical Analysis
B. Tables
C. Description of Methodology
D. Persons Interviewed
E. Reference Material

ANNEXES

ANNEX A

SUGGESTED OUTLINE FOR SCOPE OF WORK

CIP EVALUATION

I. BACKGROUND MATERIAL

A. Political

1. Country political situation
2. Relations between U.S. and country

B. Economic

1. Current country economic situation
2. Special economic problems
3. History and background of CIP

a. Original rationale for CIP
b. Stated purposes of CIP
c. Purposes added or evolved (unstated)

4. Current CIP

a. Size, composition and principal commodities
b. Special conditions
c. Local currency special account
d. Attitude of host country toward CIP
e. Host country policies affecting CIP foreign exchange and imports

C. Management

1. Mission organization
2. CIP office organization (names, positions)
3. Host country government

a. Principal ministry dealing with CIP
b. Role and function of national bank
c. Role and function of planning, finance or other relevant ministries

4. U.S. Embassy organization

II. PURPOSES OF THIS EVALUATION

A. Political Impact

1. Program effect on U.S. bilateral relations
2. Determine alternative resource-flow arrangements

B. Economic Impact

1. Determine effect of CIP on balance of payments, foreign exchange reserves, economic growth, imports, consumption patterns, U.S. share of market

2. What is program's effect on growth of private sector?
3. Relevance of program to policy dialogue
4. Effect of program on IMF targets or negotiations

C. Developmental Impact

1. If developmental objectives have been stated in CIP agreements determine if they have been met. Analyze unintended impacts
2. Analyze complementarity of program with USAID's project goals; with World Bank and UNDP programs
3. Determine if lessons may be learned from selected case histories
4. Determine effectiveness of local currency special account projects
5. Analyze any significant social impact resulting from CIP

D. Management Assessment

1. Determine if size and composition of staff is appropriate to task
2. Determine if level of CIP imports been steady and appropriate to country's needs
3. Analyze the ADP system's contribution to the efficiency of the program
4. Determine if end-use audits are performed systematically and results applied
5. Determine the relationship of CIP staff to technical divisions; to controller's office
6. Asses management of local currency special account

E. Evaluation Methodology

Report on lessons to be learned from this evaluation which may be applied to subsequent CIP evaluations

III. SIZE AND COMPOSITION OF TEAM

A. Expertise Required

1. Economic (industrial, developmental, general)
2. Managerial
3. Generalist
4. Short term experts (ADP, logistics)

B. Source

1. Contract or consultant
2. Direct hire
3. Country economist or logistician
4. Bureau of the Census on detail

C. Mission Support Staff

1. U.S. direct hire or Foreign Service National
2. Tasks

   a. Schedule interviews
   b. Collect data
   c. Liaison with mission staff, embassy and USIA

IV. LOGISTICS AND SUPPORT

A. Time for Task

1. In Washington for briefings and travel preparation
2. In field

a. Draft submitted to mission prior to team departure
b. Final report after receiving mission comments

3. Deadline for submission of final report

B. Mission Support (yes or no)

1. Office space
2. Secretarial and word processing time
3. Transportation to and from interviews
4. Access time to mission ADP or arrival accounting system

V. DATA COLLECTION

A. In Washington

1. AID Responsibility

a. AID-generated material

i. Evaluation reports
ii. CDSSs
iii. Congressional presentations
iv. CIP agreements and annexes
v. SER/COM printouts for country CIP; copies of Regulation One

b. Non-AID material

i. World Bank reports on host country
ii. IMF reports

c. Interviews and briefings

i. Country desk, AID and State
ii. Program economist for bureau
iii. SER/COM desk
iv. PPC evaluation staff

2. Team responsibility

a. Statistics from country embassy in Washington
b. U.S. Department of Commerce for export statistics to Country

B. In Country (ahead of team's arrival)

1. Mission responsibility

a. CIP statistics, arrival accounting reports, national bank statistics on GNP, GDP, trade, foreign exchange flows, balance of payments

b. Mission manual orders on mission organization, CIP office, local currency special account, special orders affecting CIP

c. End-use audit reports on CIP transactions

d. Lists of suggested interviews

i. Official-USAID and Embassy
ii. Country government and parastatal firms and organizations
iii. Representative private sector firms by size, variety of commodities, sector, and length in program

2. Team responsibility

a. Develop questionnaires
b. Conduct interviews (using short-term assistance as required)
c. Collect additional data as needed
d. Develop format for recording results of interviews

VI. SUBSTANTIVE TASKS (in order of priority)

A. Analyze impact of CIP on host country in terms of stated program objectives as evidenced in PAAD, CIP agreement, CPs and CDSSs. [Following are assumed for purposes of outline:]

1. Balance of payments

Indicators:

a. Degree to which current account is in deficit in relation to amount disbursed under the program
b. Percentage by which deficit has been affected over length of program
c. Impact, if any, of slow-downs in disbursements
d. Ability of banking system to obtain foreign loans and at lower interest rates
e. Extent improvements have affected government's ability to meet IMF requirements
f. Extent of restrictions on use of foreign exchange compared to those existing in first years of program

2. Macro-economic effects

a. On gross domestic product (GDP)

Indicators:

i. Changes in national income accounts since CIP disbursements began compared to period prior to commencement of CIP, taking into consideration exogenous factors

ii. $\frac{\text{Merchandise imports}}{\text{GDP}}$ = Ratio

iii. $\frac{\text{Merchandise imports (CIF)}}{\text{Production of all goods}}$ = Ratio

iv. $\frac{\text{Merchandise exports (FOB)}}{\text{GDP}}$ = Ratio

v. $\frac{\text{Merchandise exports (FOB)}}{\text{Production of all goods}}$ = Ratio

vi. $\frac{\text{Fixed capital formation}}{\text{GDP}}$ = Ratio

b. Development of private sector and small business

Indicators:

i. Number of licenses issued for new businesses
ii. Number of loans to new businesses
iii. Loans made by development banks to small businesses

3. Impact on selected sectors (name three most important sectors)

Indicators:

a. Replacement of domestically produced goods by CIP imports
b. Comparative advantage in sector enjoyed by country (little or no advantage, results desultory; serious lack of advantage may mean misallocation of resources)
c. Output and effect on prices
d. Increase in employment
e. Changes in investment in sector
f. Linkages to other sectors
g. Effect on consumers

4. Political impact (with instructions on whether to make this a restricted annex)

Indicators:

a. Status of bilateral relations
b. Views expressed by host country officials
c. Editorials in press
d. Embassy attitude toward visibility of program
e. Embassy views on position of host government on matters of U.S. national concern
f. Extent to which CIP is brought up in political dialogue
g. Requests for alternate resource transfer arrangements such as cash transfer

5. Impact on policy dialogue

Indicators:

a. Extent to which specific conditions made part of policy dialogue have been met as evidenced by governmental decrees, rules, laws, and policy announcements
b. Opinions of mission and embassy personnel on efficacy of policy dialogue and its impact, if any, on CIP

B. Analyze impact on unstated or unintended areas of host country's economy or society

1. "Ratio of Relative Importance" (time in which it would take economy to have saved enough in order to have imported the same quantity of goods supplied through CIP)

Indicators:

a. Counterpart funds deposited over a given time
b. Business and corporate savings plus personal savings

2. Allocation of foreign exchange by sector in comparison to priority needs of economy

Indicators:

a. Foreign exchange allocations by sector for period prior to and since CIP commenced
b. Growth figures for sectors during same periods
c. Description of factors entering into foreign exchange allocation process for private and public sectors, particularly for CIP imports

3. Impact on development

Indicators:

a. Degree of compatability between CIP and USAID project goals measured by USAID inputs into sectors as compared to CIP imports for those sctors; as measured by level of sophistication, complexity and costs of CIP imports
b. Case histories for selected development sectors illustrating development effects of specific CIP commodities
c. Comparison of CIP imports by sector with imports under similar World Bank or other bilateral programs
d. Allocation of CIP imports in terms of recipient country's current development plan sector goals

Note: If achievement of specific goals for the development or improvement of a given sector are part of the CIP's stated objectives, then an analysis would be made of that particular sector to determine whether the goals have been met using as indicators growth and other indicia set out in the CIP agreement

4. Impact of local currency special account on development projects

   Indicators:

   a. Improvement in progress of projects resulting from input of special account funds
   b. Extent to which special account funds replaced host government contributions or USAID dollar-purchased local funding

5. Impact of local currency special account requirements on CIP importers and banks

   Indicators:

   a. Interest rates and loan terms placed on importers for borrowing local currency to pay for foreign exchange for CIP imports in comparison with rates and terms for non-CIP transactions

   b. Number of defaults by CIP borrowers and non-CIP borrowers

   c. Distribution of foreign exchange between public or private sector importers or among private importers by government; by banks; among banks by government

6. Impact of local currency special account deposits on inflation

   Indicators:

   a. Comparative COL and other similar figures
   b. Expressed views of host government officials on use or freezing of special account funds

C. Assessment of CIP management and program efficiency

Indicators (efficiency):

a. Average annual disbursement rates and import levels since opening of CIP
b. Opinions of participants concerning efficiency of system
c. Percentage, by dollar volume and number, of end-use audits of CIP transactions; quality of such audits
d. Percentage of unfavorable audits receiving follow-up action by USAID

Indicators (management):

a. Regularly scheduled meetings between USAID CIP staff and host country officials; between CIP staff and importers; among representatives of all participants, banks, importers, CIP staff and government
b. Views of mission staff on interaction between CIP staff and technical divisions; between CIP staff and program office
c. Mission guidelines for integrating aspects of CIP with USAID program or project goals
d. Number of CIP transactions converted to projects or "project-like" activities and placed on USAID project review schedule

e. Mission guidelines for monitoring and accounting for special account deposits and disbursements
f. Extent to which mission monitors and evaluates projects receiving special account funds
g. Management and use of arrival accounting system, including current status, degree of access, and capabilities
h. Size and makeup of CIP staff, taking into consideration size and complexity of program, number of individual transactions, whether mixed or solely private or public sector

ANNEX B

SUGGESTED OUTLINE FOR SCOPE OF WORK

"CIP-LIKE" ACTIVITY EVALUATION

Based on proposed Pakistan Energy Commodities and Equipment (ECE) Program (#391-0486)

(Note: This outline assumes completion of program)

I. BACKGROUND MATERIAL

A. Political

1. Political atmosphere in Pakistan
2. Relations between U.S. and Pakistan

B. Economic

1. General economic situation in Pakistan
2. Economic conditions affecting energy sector
3. USAID program and major goals
4. Policy context of ECE program

a. Pakistan's Sixth Five Year Plan
b. Balance of payments problems
c. Private sector participation in energy sector
d. Energy pricing policies
e. Policy dialogue

i. Balance of payments in general
ii. Energy pricing
iii. Private sector role in energy
iv. Banking, credit to private sector, loan terms for private investors

C. Current Status of ECE Program

1. History of program implementation with status of obligations, expenditures and volume of imports
2. Description of special problems as revealed by audits or reports
3. Attitude of GOP officials toward ECE
4. GOP policies or actions which affected ECE negatively or positively

D. Management Facts

1. USAID/Pakistan table of organization
2. Backstop office organization, including names and positions

3. Embassy/Islamabad organization
4. GOP ministries dealing with ECE program

   a. Principal technical ministry
   b. Other ministries, including Finance, Supply and Planning

II. PURPOSES OF THIS EVALUATION

A. Economic

To determine:
1. The effect of the ECE program on GOP balance of payments position
2. The increase in private sector participation in the energy sector
3. The extent to which energy pricing policies have changed as a result of the ECE program
4. The effect of the ECE program on the GOP's progress toward economic liberation
5. Whether the ECE program has had an effect on the role of the private sector in Pakistan in resource mobilization and productivity investment
6. The extent to which the ECE program has contributed to the achievement of the nine energy policy objectives in the GOP Sixth Five year Plan
7. To what extent the ECE program had unintended or unforseen effects

B. Effect on Policy Dialogue

To determine:
1. The effect of the ECE program on the announced objectives of the USAID-GOP policy dialogue, particularly:

   a. "Deregulation"
   b. Private sector expansion

2. The effect of the ECE program on development of consumer and producer energy pricing
3. The effect of the ECE program in reinforcing the policy activities of other USAID energy programs and World Bank efforts in tariffs and pricing
4. Whether the terms and conditions of the ECE program as originally drafted by USAID proved to be realistic in light of subsequent events and progress of the program

C. Developmental Impact

To determine:
1. The effect of the ECE on helping GOP attain an average energy growth rate of 9.6 percent per annum, said to be necessary in order to support a 6.4 percent per annum growth rate in GDP
2. The effect of the ECE program in assisting the GOP to meet its energy sector goals as delineated in its Five Year Plan
3. The effect of the ECE program in assisting the GOP to meet its energy conservation goals

D. Management Assessment

To determine:
1. Whether the level of imports under the ECE was timely and appropriate to the objectives

IV. DATA COLLECTION

A. In Washington

1. AID generated material
    a. Other evaluation reports
    b. Pakistan CDSS and ABS
    c. Asia Bureau Congressional Presentation
    d. ECE PAAD and final agreement plus amendments
    e. Audit reports on ECE

2. Non-AID Material
    a. World Bank reports on Pakistan and copies of loans to Pakistan in energy sector
    b. IMF reports and agreements with GOP
    c. GOP Five Year Plan

3. Interviews and briefings
    a. Pakistan desks in AID and State
    b. Asia Bureau economists and project officers
    c. S&T Bureau energy office
    d. PPC evaluation staff
    e. World Bank and IMF officials knowledgeable of the energy sector in Pakistan

B. In Pakistan

1. USAID responsibility

    a. Program documents, program statistics, arrival accounting reports, and statistics on energy sector
    b. National bank statistics on GDP, balance of payments, foreign exchange flows, oil imports, gas, oil and coal production figures
    c. USAID manual orders on organization with names and positions of key officials
    d. Local audit reports or end-use audits of ECE program
    e. Lists of suggested persons for interviews

        i. USAID and Embassy
        ii. GOP officials in Ministries of Finance, Planning, Energy National Bank, etc.
        iii. Representatives of private and public sector organizations in the energy sectors
        iv. Representatives of energy consumer groups

2. Team Responsibility

    a. Develop questionnaires
    b. Conduct interviews (using short term assistance as necessary)
    c. Collect additional data as necessary
    e Develop format for recording results of interviews

V. SUBSTANTIVE TASKS

A. Analyze economic effects of ECE program in light of the stated objectives and conditions in the PAAD and program documentation

1. Balance of payments

   Indicators:
   a. Degree to which GOP current account is in deficit in relation to amount disbursed under ECE
   b. Percentage by which deficit has been affected over length of program
   c. Impact, if any, of slow downs in disbursements
   d. Ability of banking system to obtain foreign loans and lower interest rates, taking into consideration exogenous factors
   e. Extent improvements have affected GOP's ability to meet IMF requirements under any standby arrangements

2. Impact on energy sector

   Indicators:
   a. Replacement of domestically produced goods by program imports
   b. Degree to which public funds have moved to energy infrastructure away from industrial projects and fertilizer subsidies
   c. Extent to which GDP growth rates deviate from 6.4% over life of program
   d. Comparison of energy prices before and after institution of ECE program
   e. Extent of private sector investment in energy sector compared to period before and after ECE
   f. Consistency of local energy prices with international energy prices for oil, gas, electricity and coal sectors
   g. Progress on the long range marginal costs (LRMC) study carried out by the World Bank with USAID's direct support
   h. Degree to which other USAID energy projects and programs interact with ECE

B. Analyze the effect of the ECE program on the overall policy dialogue between the GOP and USAID, particularly relating to those subjects pertaining to the energy sector

   Indicators:
   1. Policy changes in the energy sector reflected in GOP laws, decrees, regulations and policy issuances
   2. Extent to which private sector expansion has taken place in the energy sectors directly impacted by the ECE program
   3. Progress in the "liberalization" of the economy as evidenced by the lifting of controls
   4. Extent to which Pakistan has become more self-sufficient in energy production over the life of the ECE program
   5. Kinds and efficacy of electricity conservation measures instituted by GOP

C. Analyze Effect of the ECE Program on Economic Development in Pakistan

   Indicators:
   1. Annual GOP growth rate compared to 6.4%
   2. Shift of GOP priorities from industrial projects and fertilizer subsidies to rural development and social sectors

3. Increases in gas, coal, and electric consumption by various sectors of the economy, particularly the poorest elements, over the life of the ECE program
4. Extent to which oil imports have been reduced and domestic gas and oil production increased over life of ECE program
5. Case histories illustrating direct impact of improved energy policies on rural and poor urban consumers, particularly pricing changes
6. Increases in private sector share of investment in energy sector, accompanied by case histories illustrating development of new firms or growth of existing firms.

Note: The proposed program documents do not indicate that a local currency special account will be established for the $20 million grant portion of the project. If it were to be established, see the suggested outline for evaluating that account under the CIP outline (Annex A)

D. Assess ECE Program Efficiency

Indicators:
1. Timing of disbursements compared to stated objectives of assisting GOP balance of payments situation
2. Arrival of commodities in terms of users' readiness and ability to install and utilize equipment and major shipments of commodities
3. In connection with above, number of negative end-use audits performed by USAID and percentage which received follow-up action
4. Installation of machinery and equipment on dates originally established in PERT charts, if used

E. Assess ECE Program Management

Indicators
1. Percentage, by dollar volume and number, of end-use audits of ECE transactions; quality of such audits
2. Organization charts of ECE management staff, if a separate group, or the backstop office in USAID, reflecting allocation of responsibilities for discrete portions of project
3. Similar charts showing GOP organization for managing its responsibilities for implementation
4. Interaction and cooperation between USAID and GOP officials responsible for implementing ECE
5. Number and adequacy of USAID staff assigned to ECE
6. Management and use of arrival accounting system dedicated to ECE imports, including sharing with GOP
7. Extent to which senior USAID management follows progress of ECE and acts to insure resolving implementation bottlenecks

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ANNEX C
REVIEW OF SELECTED WORLD BANK EVALUATION DOCUMENTS

The scope of work for this report requested the team to review selected IMF and IBRD evaluations of sector development and structural adjustment loans and describe and explain their methodological relevance, if any, to AID's evaluation of CIP and CIP-like programs.

Through AID the team obtained three World Bank Project Performance Audit Reports (PARs), a draft copy of the Bank's "General Guidelines for Preparing Project Completion Reports" (September 1983), its "Guidelines for Preparing PCRs on Structural Adjustment Loans" (November 1982), and three Annual "Reviews of PAR Results."

1. Project Completion Report (PCR) Guidelines

This 71-page detailed guide for borrowers doing PCR's of Bank projects has been sent to government agencies and others outside the Bank for comment. PCR's are carried out at or shortly after project completion to compare costs and currently expected benefits with those expected at the initiation of a project. These reports are intended to reinforce self-evaluation by executing agencies and government departments.

While there are references to sector loans, such loans are not comparable to AID's non-project assistance to sectors; they are projects in the AID definition of that word.

There is more emphasis on the performance aspects of projects -- operating, financial and institutional -- and less on impact; the latter is covered under "Economic Reevaluation," and emphasizes cost-benefit analyses.

It is a valuable resource document for those evaluating AID projects but is not as relevant to evaluations of AID's non-project assistance activities.

2. Guidelines for Preparing PCR's on Structural Adjustment Loans

Structural Adjustment Lending" (SAL) is a non-project activity by the Bank to support programs of policy and institutional change necessary to modify the structure of an economy so that it can maintain both its growth rate and the viability of its balance of payments in the medium term. The Bank describes SAL as the evolving of program lending.

This 3-1/2 page "Operational Manual Statement" is more relevant than the first document to evaluation of AID's "CIP-like" activities; but it is less detailed than the basic PCR guidelines to which the Statement is a supplement.

Guidance is given in general terms and covers three areas of assessment, "Role of the Bank," "Accomplishments and SAL Justifiability," and "Implementation and Monitoring of SAL."

There is emphasis on analyzing the impact of the loan, both planned and unforeseen, as well as the reasonableness of conditions and assumptions that may have affected performance under the SAL arrangements.

An assessment of the Bank's role in assisting the borrower in technical and policy areas is called for as is comment on the Bank's supervision over SAL operations.

If permission can be obtained from the Bank, this Statement could become a valuable annex to AID's guidelines for evaluating "CIP-like" activities and for designing scopes of work.

3. Project Performance Audit Reports

Each of these reports pertains to loans to a different country; one was for overcoming balance of payments problems, one for both balance of payments relief and improvement in the agricultural sector and the last for expansion of the manufacturing sector. Each loan was similar in design to AID's sector grants or loans: short-term foreign exchange infusions coupled with conditions designed to effect longer term policy and structural changes. They included counterpart funds, across-the-board imports and imports limited to a given sector.

The methodology relied more on analysis of economic data available than on interviews. Of importance in one report was an interim report from the borrower on its progress in meeting the loan conditions.

Each of the Performance Audit Reports was bound with and based on a prior Project Completion Report, in one case carried out by the borrower government (the Bank encourages borrowers to do their own PCR's).

PAR's are carried out by the Bank on a selective basis for projects and program loans but are done for all SAL's. In some instances auditors may only do an intermediate audit (reading PCR, files, correspondence) or decide to do a full audit, which involves going to the borrowing country, visiting the sites and interviewing officials. The latter are required for all SAL's but not for all program loans. Selection is based on cost, importance of the loan, global implications of issues and status of the PCR.

4. Annual Reviews of PAR Results

There are nine Annual Volumes in this Bank series (the tenth one due shortly). Devoted almost entirely to project reviews, each volume contains summaries of SAL and program loan audits. These summaries are excellent in noting lessons learned about the design, implementation and monitoring of these specific loans, but do not discuss methodology. They are valuable resource documents for project designers and implementers.

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ANNEX D

REFERENCE MATERIAL

AGENCY FOR INTERNATIONAL DEVELOPMENT

An Approach to Evaluating "Non-Project" Assistance. Morss, V.A. and Morss, E.R., PPC/E. AID/Washington: June 1984.

Audit Analysis Guidebook. M/SER/COM/SE. AID/Washington: 1984

Commodity Import Programs as a Development Tool, Memorandum: Brown, Donald S. to A/AID. AID/Washington: October 19, 1982.

An Economic Evaluation of Zimbabwe's Commodity Import Programs. Riddell, R.C., USAID/Zimbabwe: August 1983

An Evaluation of the Somalia Commodity Import Program, 649-K-602. Lewis, T., Hagan, P. and Ricardo, J., USAID/Mogadishu: April 1984.

An Evaluation of the Zimbabwe Commodity Import Program. Lieberson, J. and Hawkins, A., AID/Washington: March 1984.

Handbook 3: Project Assistance, Chapter 12: "Project Evaluation," September 30, 1982.

Jamaica: The Impact and Effectiveness of the PL 480 Title I Program, AID Project Impact Evaluation Report No. 51. AID/Washington: February 1984.

Niger ESF - Why the CIP Can't Work, Memorandum: Love, A./R., AAA/AFR to A/AID, May 16, 1984.

Pakistan Agricultural Commodities and Equipment (391-0468) Program Evaluation. Pines, S. and Kinsley, S. AID/Washington: December 2-20, 1982

Pakistan: Energy Commodities and Equipment (391-0468), Draft Program Assistance Approval Document (PAAD). AID/Washington: July 7, 1984.

Project Evaluation Summary, Fertilizer Promotion. USAID/India: August 4, 1981.

Report and Recommendations to USAID/Kenya on a Proposed Commodity Import Grant to the Republic of Kenya. Tribble, J. W. American Manufacturers Export Group. Houston, Texas: December 15, 1983.

The Use of Program Loans to Influence Policy, Evaluation Paper 1A. PPC Evaluation Staff. AID/Washington: March 1970.

U.S. BUREAU OF THE CENSUS

The Evaluation of the Commodity Import Program in Egypt; Report on Evaluation Methodology and Recommendations. Hartz, M.I. Int'l. Stat. Prog. Center. BUCEN/Washington: June 1984.

Overview of the Evaluation of the Somalia CPI (PAAD 649-0118). Ricardo, J.M. Int'l. Stat. Prog. Center. BUCEN/Washington: August 1984.

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AID Needs to Strengthen Management of Commodity Import Programs. GAO/NSAID-84-87. Washington: February 29, 1984.

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General Guidelines for Preparing Project Completion Reports (Draft). Washington, D.C.: September 1983.

Operational Manual Statement No. 3.58 - Annex II. November 1982.

The Project Cycle. Baum, W.C. Washington, D.C.: 1982

Seventh Annual Review of Project Performance Audit Results. Report No. 3640. October 9, 1981.

Eighth Annual Review of Project Performance Audit Results. Report No. 4101. September 9, 1982.

Ninth Annual Review of Project Performance Audit Results, Vols. One-Three. Report No. 4270. September 16, 1983.

2. Whether the size and composition of the staff managing the program were appropriate to the task
3. Whether the GOP management staff was adequate to its responsibilities
4. The effectiveness of the interaction among the USAID, GOP and multilateral participants

E. Evaluation Methodology

To determine whether the methodology used in this evaluation may be replicated in other similar evaluations and to determine what lessons may be learned and passed on to other evaluators

III. PROCEDURAL MATTERS

A. Size and Composition of Evaluation Team

1. Expertise required

   a. Public utility (energy) economist with rate experience
   b. Development specialist
   c. Generalist with commodity experience

2. Source

   a. Contract or direct hire
   b. Mixed
   c. Pakistani member
   d. Bureau of the Census person on detail (for methodology)

3. Mission support staff
   a. U.S. direct hire (U.S. or Pakistani)
   b. Tasks

      i. Schedule interviews
      ii. Collect data
      iii. Liaison with USAID, U.S. Embassy and GOP

B. Logistics and Support

1. Time period

   a. In Washington for briefings and travel preparation
   b. In field

      i. Draft submitted to USAID prior to departure
      ii. Final report after receiving USAID comments

   c. Deadline for final report

2. USAID Support (yes or no)

   a. Office space
   b. Secretarial and word processing
   c. Transportation to and from interviews
   d. Access time to USAID ADP or arrival accounting system